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New round of pay claims between 20-30% says CBI

BY CHRISTIAN TYLER, LABOUR EDITOR

A measure of the Government's task in holding pay settlements to 5 per cent was indicated yesterday when it emerged that unions were opening the winter wage round with pay claims of at least 20 per cent.

CBI figures to be released later this week will show that since August 1—the starting date of Phase Four of the wage restraint policy—claims are ranging between 20 and 30 per cent. In addition, unions are demanding a cut in the working week without loss of pay.

It will be stressed that the 30 major claims drawn up so far are too few to constitute a trend, and are generally a little lower than the claims submitted at this time last year when the Government was calling for single-figure settlements and a 10 per cent target for all earnings.

But the high level at which claims are now being pitched suggests that employers will have the greatest difficulty in settling anywhere near 5 per cent without confrontation.

Furthermore, the Government is taking a strict line from the outset, having specified a trigger point in its White Paper at which sanctions against companies would be activated.

The TUC's resolution at Brighton last week against pay controls was interpreted by nearly all union leaders as outright rejection of the 5 per cent limit, even though they simultaneously promised that negotiations this year would be "responsible." They pointed out that workers would not accept 5 per cent at a time when inflation was running at around 8 per cent.

Concrete evidence of pay expectations will build up this week when many important groups of workers are due to meet employers in the aftermath of the TUC's decision.

Shop stewards at British Oxygen gases division, scene of a four-week pay strike last year, decided yesterday to seek a "substantial rise." by which, privately, they mean 20 per cent.

The National Union of Seamen is also looking for "substantial" rises, unlikely to be very close to 5 per cent in spite of the shipping owners' warning that even 5 per cent would be too high for their depressed industry. Merchant Navy officers want 14 per cent, with a view to settling for 10 per cent.

'Going rate'

Oil tanker drivers are looking for 20 per cent on basic pay, and 50 per cent on overtime earnings. They, too, took action last year.

Road haulage drivers, who secured around 15 per cent last year, are seeking 20-30 per cent, and the Ford Motor claim—the most public test of the "going rate"—is for at least 25 per cent.

Last year's Ford settlement was for 12 per cent, but escaped Government sanctions on the grounds of the company's profitability aand contribution to the economy.

In the public sector, atomic energy workers have already declared their aim of securing up to 20 per cent for craftsmen, while negotiations for 1m local authority manual workers are likely to open with demands for £60 a week, or another 40 per cent on minimum earnings. Later in the round the miners will be bidding for the same percentage rise.

On the credit side of the Government's account so far are 65,000 garment workers who are expected to ratify a deal of 5 per cent with an underpinning minimum of £40 a week. This agreement usually sets the pace for the industry; but it is not one where unions have much industrial power.

Likewise, the British Sugar Corporation's 5,500 process workers have agreed, after Government intervention, to accept 5 per cent on basic rates. With self-financing productivity payments that should bring the total earnings rise to between 9½ per cent and 11 per cent.

The Northern Ireland textile engineering company James Mackie and Sons, the first employer to be punished for breaching Phase Three, has also settled for 5 per cent.

Given the ambivalent terms of last week's pay resolution, the TUC is unlikely to encourage attacks on the incomes policy or to give automatic support to unions in dispute over it. At the same time even those union leaders most loyal to Labour may find it difficult to repeat their acquiescence to an imposed earnings limit through the winter.

Other pay claim news, Page 10

Raw material costs down last month

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

INDUSTRY'S RAW materials costs fell during August for the second month running while output prices charged at the factory gate have continued to rise at a moderate rate.

This reinforces hopes of avoiding a significant acceleration in the rate of retail price inflation during the winter. Further confirmation of this prospect is expected to be provided later this week when the Price Commission's index of notified increases is published.

The wholesale price indices suggest that the recent strength of sterling is holding down the cost of materials and fuel purchased by manufacturing industry — still 1 per cent less than a year ago — and offsetting some of the impact of the higher pay rises of the last year.

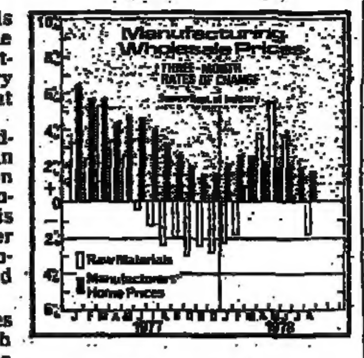
The impact of moderate rises in output prices and of the good harvest on seasonal food prices supports Government forecasts that the 12-month rate of retail price inflation will remain around 8 per cent for the rest of 1978.

While the higher Phase Three pay awards may shortly start to boost the underlying trend of wholesale output and retail prices, there is insufficient evidence to say whether the 12-month rate of retail price inflation will remain in single figures during the first half of 1979, or rise just above 10 per cent, as some forecasters expect.

The main reason for greater optimism about inflation prospects has been the recovery of sterling, notably against the dollar.

The appreciation of the pound was mainly responsible for the 0.6 per cent decline to 144.3 (1975 = 100) in the index of the cost of materials and fuel purchased by manufacturing industry. This index has dropped by 1.7 per cent in the last three months.

The index of material costs for manufacturing outside the food, drink and tobacco sectors has fallen by 3 per cent in the last three months, as the weakness of the dollar has reduced the sterling price of crude oil.



The cost of the food manufacturing sector's materials fell by 2 per cent last month, with large declines in the price of home produced cereals and potatoes.

On the output side, prices charged for manufactured products rose by less than ½ per cent in August to 154.5 (1975=100). The continuing favourable trend is shown by the fact that the six-monthly rate of increase has slackened since April from 3.85 per cent to 3.55 per cent.

This is slightly surprising given the acceleration in labour costs in recent months and it is possible that cost increases are not being passed on fully in face of competition from imports. This would be at the expense of domestic profit margins.

There has been little difference in the recent experience of food and non-food manufacturing companies, both of which have increased their prices by around 1¾ per cent in the last three months.

The latest wholesale price indices are the first to be presented on the basis of 1975 prices rather than 1970 prices. The weightings are according to 1974 patterns of sales and purchases, but with the reference year of 1975 taken as 100.

On the old price basis, the change over the 12 months to August in the output price index for all manufactured products would have been 8¼ per cent while, at 1975 prices, there was an increase of 7¾ per cent. Most of the difference is caused by the greater weight given to petroleum products whose price has changed little over the last year.

August jump in State borrowing, Page 7

Retail sales, Back Page

WHOLESALE PRICES (1975=100)

		Raw Materials	Output (home sales)
1978	Jan.	139.4	148.3
	Feb.	139.1	149.2
	March	142.0	150.0
	April	145.1	150.9
	May	146.8	151.9
	June	147.0	152.7
	July*	145.7	153.8
	Aug.*	144.3	154.5

* provisional.

Source: Department of Industry

£ in New York

—	Sept. 11	Previous
Spot	$1.9445-9460	$1.9500-9535
1 month	0.48-0.42 dis	0.59-0.53 dis
3 months	1.48-1.42 dis	1.56-1.50 dis
12 months	5.05-4.85 dis	5.10-4.90 dis

Peugeot agrees to meet unions on Chrysler

By Alan Pike, Labour Correspondent

PEUGEOT-CITROEN management has agreed to hold talks with union leaders in Britain. A meeting is expected this week.

Until now the company has refused to enter into discussions with the unions until it receives approval by Governments for its proposed takeover of Chrysler's European operations.

This change of heart removes one of the last substantial hurdles to a British Government decision on the deal within a week. The unions had urged Ministers to hold back on a decision until the company agreed to talk to them about employment prospects and the future of the Chrysler UK plants.

Arrangements have now been made for a meeting between M. Jean-Paul Parayre, president of Peugeot-Citroen, and motor industry union leaders this week.

While the Government is giving no details of the many consultations since the Peugeot-Citroen offer was announced, it is likely that the meeting will take place before the unions see Mr. Eric Varley, the Industry Secretary, on Wednesday.

Union leaders, whose own direct approach for talks through the International Metalworkers' Federation was rejected, asked Mr. Varley to try to arrange a meeting.

It is unlikely that M. Parayre will wish to move much further than the general statement of support for Chrysler UK's future which he gave in Paris on August 31, and he will not get involved in detailed negotiations.

The unions, however, were concerned that continued refusal to meet them would have soured relationships with the company from the start.

Union leaders will repeat their demands for clear undertakings on a new model programme and a revised and effective planning agreement when they see M. Parayre. They will also seek assurances that the British Chrysler plants will not be reduced to assembling cars engineered in France.

They will emphasise the importance of Peugeot-Citroen accepting the established British trade union structure. Organisation in the French factories is weaker, and includes company unions, a form of organisation to which the British unions are hostile.

Chrysler talks fail, Page 10

U.S.-French talks on semiconductor venture

BY MAX WILKINSON

THOMSON CSF, the French electronics group, is at an advanced stage of discussions with Motorola of the U.S. about setting up a joint semiconductor operation in France. The French Government is involved in the discussions because of its desire to subsidise a Franco-American partnership in micro-electronics.

The talks were confirmed by Mr. John Welty, senior vice-president of Motorola and head of the company's semiconductor plant in Phoenix Arizona.

He would not give details of the discussions, but he said Motorola believed it would be necessary to expand production of semiconductors in Europe to serve the European market.

The company already employs 2,000 people at its semiconductor plant in Toulouse, France. However, most of the Toulouse production is of products, such as individual transistors, which are now regarded as a comparatively simple form of semiconductor technology.

If the deal with Thomson goes through, the Toulouse plant would probably be upgraded to include more of the modern integrated circuit technology by which a circuit containing many thousands of transistors can be etched onto a single fleck or "chip" of silicon, perhaps only the size of a tea leaf.

One of the most important families of integrated circuits is the MOS or metal oxide semiconductor, which is used for computer memories and microcomputers etched onto a single quarter-inch chip.

Motorola has an advanced MOS plant in East Kilbride, Scotland, where 500 people are employed making microcomputers and other types of circuit. Although no details have been released, it is likely that a Motorola-Thomson joint venture would also aim to produce MOS circuits including computer memories.

Mr. Welty said some rationalisation might be necessary between the production in the French and British factories, but there was no question of running down the East Kilbride operation. "We would be looking for an increase in our activities in the UK," he said.

The French Government is anxious to expand production of both linear semiconductors (used in radio, television and similar applications) and digital circuits which are used mainly in computers.

The French are particularly anxious to strengthen their capabilities in the MOS integrated circuit technology, which is expected to grow in importance over the next few years. A likely outcome would be a joint venture agreement between Motorola and Thomson, similar to that recently announced by the General Electric Company of the UK and Fairchild in the U.S.

GEC and Fairchild are planning to set up a new MOS plant in the UK to make computer memories and micro-computers.

In addition to the proposed

Continued on Back Page

How electronics has changed the watch industry, Page 13

Duffy optimism on BL peace

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

A CONFIDENT FORECAST that a peace formula would be devised today to head off the threatened strike by BL Cars' toolmakers came yesterday from Mr. Terry Duffy, president-elect of the Amalgamated Union of Engineering Workers.

Mr. Duffy's statements followed two warnings from BL yesterday about likely serious consequences of continued disputes.

Mr. Michael Edwardes, BL chairman, said that another toolmakers' strike could lead to lay-off of 70,000 workers and place a number of plants at risk.

He said in a letter to the 120,000 employees that in the event of any major dispute "we would have no alternative but to slim ourselves down drastically and a number of plants would be directly affected."

A strike would "deal a body blow" to the volume car business, hit profits and cash flow, and entail trimming and cancellation of investment programmes.

"It is common knowledge that Austin-Morris is not currently a viable business. There is no doubt in my mind that the future of a number of plants will be put at risk," he said. According to Mr. Edwardes, the places particularly affected would be Cowley, Oxford, with 22,000 workers; Abingdon, with 1,200; and Canley, Coventry, with 8,000.

In a separate warning the Board of Leyland Vehicles said that the poor production performance of the Bathgate truck plant, where a month-long strike is still in progress, threw "great doubt on the economics of existing investment plans."

"Unconstitutional" disruptions in the first half of this year, said

Continued on Back Page

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...rose $207½ in ... in New York the ... September settlement price rose 20 points to $206.26.

● WALL STREET closed unchanged at 907.74.

● U.S. TREASURY bills were: threes, 7.695 per cent (7.659); and sixes, 7.793 per cent (7.742).

● CENTRAL BANKERS at the BIS meeting in Basle have expressed strong reservations about plans for European currency co-ordination. Back Page

● EEC is preparing to apply the anti-cartel rules of the Treaty of Rome to the shipping industry. Back Page. At the same time, Russia is seeking to outlaw all fully depreciated ships, to lessen world surplus in shipping. Page 3.

● RETAIL SALES last month remained at the peak levels reached in July, at about 6.5 per cent higher in real terms than in 1977. Back Page

● BRITISH AIRWAYS has given a clear indication that it does not intend to order the A-310 version of the European Airbus, dispelling any hopes that BA could be induced to purchase the aircraft as a condition of Britain's rejoining the Airbus project. Page 8

ICI to buy U.S. chemical group

● ICI is negotiating the takeover of a U.S. chemicals company, American Color and Chemical of South Carolina. The purchase price is likely to be about £26m. Back Page

● ROLLS-ROYCE is close to a decision to invest more on the development of the RB-401, the business-jet aircraft engine. Back Page

● CHAIRMAN of the Cunard passenger shipping fleet within the Trafalgar House group, Mr. John Mitchell, has resigned from all his Trafalgar posts, including 58 directorships within the group. Back Page

COMPANIES

● BOWATER Corporation reports pretax profits £2.2m lower at £42.5m for the first half of 1978. Page 30 and Lex

● TRICENTROL pre-tax profit for the first six months of 1978 rose from £2.46m to £4.45m. Page 30

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Po... of a... ...an defector, who died after being injured by an umbrella in a London street. It is believed Georgi Ivan Markov, a 40-year-old writer, died from blood poisoning.

Captain fined

The captain of the British cargo ship August Pacific was ordered to pay a FFr 50,000 (£5,875) fine for causing a four-mile oil slick off the north Brittany coast.

Brothers rescued

Two young brothers were rescued from a dinghy by RAF helicopter after drifting more than a mile in gale-tossed seas off Looe, Cornwall. In Hampshire, a retired U.S. professor was killed when winds blew a branch on to his car.

RUC man killed

Terrorists shot dead an RUC reservist at the home he was preparing for his bride in Co. Tyrone. In Belfast, two members of the illegal Ulster Volunteer Force were jailed for life after pleading guilty to a double murder four years ago.

Poll pledge

The Liberals would do all in their power to force a general election as soon as possible, Mr. David Steel said in a message to delegates arriving in Southport for the party's annual assembly. Page 9

Radiation dose

A health physics monitor working at Windscale and Calder has been withdrawn from his duties, after receiving more than the permitted quarterly level of radiation.

New flood threat

India's devastated state of West Bengal was threatened with a second wave of flooding as the Ganges river continued to rise.

Briefly . . .

Lan Lan, a nine-year-old Panda at Tokyo Zoo, is believed to be pregnant.

British Rail is to install dispensers of pre-addressed cards at certain stations for use by disgruntled passengers.

Former Nazi death camp commandant Walter Knop denied in a Cologne court that he killed 159 prisoners during World War Two.

CHIEF PRICE CHANGES YESTERDAY

(Prces in pence unless otherwise indicated)

RISES:

AGB Research	156	+ 6
Beecham	740	+ 10
Bowater	205	+ 10
Brown (J.)	486	+ 8
Bryant	55	+ 4
Causton (Sir J.)	22	+ 2½
Centrovincial Ests.	81	+ 5
Corinthian Hldgs.	32	+ 4
Downing (G. H.)	160	+ 10
Dowty	304	+ 7
GEC	322	+ 6
Group Lotus	52	+ 4
Henderson-Kenton	87	+ 5
House of Fraser	174	+ 4
IC Hldgs.	392	+ 8
Kode Intl.	145	+ 7
Liberty	215	+ 10
M. L. Hldgs.	205	+ 10
Macpherson (D.)	81½	+ 5
Marchwiel	166	+ 6
Marler Estates	35	+ 5½
Rolls-Royce	106	+ 4
Sale Tilney	307	+ 10
Sime Darby	131	+ 5
Tilling (T.)	143	+ 5
Vinten	166	+ 10
Ward White	109	+ 6
Wholesale Fittings	240	+ 13
Winston Estates	44	+ 5
Oil Exploration	214	+ 13
Shell Transport	590	+ 8
Siebens (UK)	394	+ 30
Charter Cons.	160	+ 6
De Beers Defd.	456	+ 19
Mid-East Minerals	60	+ 6
Selection Trust	512	+ 12
Union Corp.	322	+ 7

FALLS

Flight Refuelling	178	− 14
Wilson Walton	32	− 9
Pancontinental	£13	− ¾

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FEATURES

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EUROPEAN NEWS

Italian unions divided over wages

BY PAUL BETTS

ROME, Sept. 11.

ON THE eve of the crucial talks between the minority Christian Democrat Government and the country's labour leader over Italy's three-year economic recovery programme, the collective mind of the Italian trade union movement appears increasingly split.

In return for an ambitious programme of job creating investments, particularly in the depressed south, the Government is now urging the unions to moderate wage claims and accept a wide-ranging series of austerity measures. The reaction of union leaders during tomorrow's talks with Sig Giulio Andreotti, the Prime Minister, is generally regarded here as decisive for the application of the Government's economic plan.

Although some union leaders, especially Sig Luciano Lama of the Communist-dominated CGIL confederation, have openly voiced the need for more moderate and realistic labour policies, the rift within the trade union movement as a whole could represent a serious obstacle for the Government.

The two main areas of disagreement in the unions are proposals to contain wage levels and to reduce working hours. On the other hand, the unions have already broadly accepted the principle of labour mobility.

Sig Lama has campaigned over the last few weeks to convince the union base to moderate wages in view of the imminent renewal of a series of major national labour contracts involving as many as 6m workers. Indeed, the key engineering and metalworkers union, FLM, were meeting today to prepare their negotiating platform, which traditionally represents the model for all all other contracts. However, there are so far no tangible signs that the union rank-and-file is willing to accept Sig Lama's suggestions.

The controversy inside the unions, however, does not merely reflect divergent positions on wage levels. The Italian union movement has come to a watershed. Its members now face the basic dilemma of whether to protect the position they have gained over the last decade or to look ahead and defend the longer term interests of not only their signed-up members but the working classes as a whole at a time of growing unemployment.

Moreover, the trade union movement in Italy has always been conditioned by the main political parties, but there have recently been signs of a growing move towards greater autonomy.

In part as a gesture of goodwill to win the support of the trade unions and the political parties, the Government last week reduced by one point to 10.5 per cent the central bank's discount rate. The move was generally seen here as an attempt to show the Government's concrete intentions to enforce its three-year economic plan and encourage investments and a recovery of the country's sagging industrial production.

At the same time, the Government has decided to postpone proposals to reform Italy's highly inflationary wage indexation mechanism, which at this stage would have probably led to a direct confrontation with the unions.

The cut-back in the discount rate was immediately followed by a decrease in the Bank of Italy's intervention rates for treasury bill yield. In line with this trend, the country's main commercial banks are expected to announce tomorrow a reduction of about 1 per cent in their current 16 per cent lending rate to prime borrowers and similar reductions in bank deposit interest rates.

For his part, Sig. Filippo Maria Pandolfi, the Treasury Minister, who has been the main architect of the three-year recovery plan, renewed over the weekend his Government's intention to participate in a new European monetary system. The Government regards approval of its programme as a prerequisite for Italy to enter the new European Monetary Union.

However, in a detailed address at Pescara, Sig. Pandolfi listed a series of preconditions for Italian membership. While Italy, like France and Britain, favours the linking of exchange rates to a basket of European currencies, it is also asking that the funds earmarked for a proposed "European Monetary Fund" be made available immediately to safeguard the stability of exchange rates.

Sig. Pandolfi, who recently held talks with Mr. Roy Jenkins and Mr. Francois-Xavier Ortoli, respectively the President and Vice-President of the EEC Commission, as well as with French monetary authorities, said Italy was pressing for Community guarantees in support on the economies of weaker member countries, including a broad revision of EEC agricultural policies.

A modest increase in Italian industrial production is forecast this year and next, but the outlook for higher industrial employment levels remains poor, according to the national employers organisation Confindustria, Reuter reports from Rome. Industrial output is expected to rise 2.3 per cent this year and 3.4 per cent next year, but employment levels are forecast to fall by around 0.7 per cent in 1978, and to show only a very small recovery next year, it said.

A 1.1 per cent drop in industrial investment is forecast for 1978, but 1979 should reverse the trend of recent years with a 10.1 per cent upturn in productive investment spending in real terms, Confindustria said. The 1979 forecast is conditional, however, on major investment plans in the electricity sector, which may in fact fail to materialise, it cautioned.

New delay hits plan for Turkish debts

By Metin Munir

ANKARA, Sept. 11.

A NEW delay has hit the launching of the Turkish programme for restructuring $2.5bn of short-term debts to foreign banks, due to have got underway last week, a senior central bank official said here today.

Time was needed probably until the end of the month to complete the documentation and printing, he added.

Conditional agreement has been reached on the scheme, between the central bank and the seven main international banks—Dresdner and Deutsche Banks, the Union Bank of Switzerland, Barclays, Morgan Guaranty, Chase Manhattan and Citibank—which constitute the co-ordinating group.

Since last April, these have been working on the scheme together with the central bank.

The seven have informed the central bank that they would subscribe to the scheme on condition that a "satisfactory number of other banks," did the same.

More than 200 banks which are Turkey's creditors are involved, with $2,000m of deposits in the so-called convertible Turkish lira accounts in Turkish banks, and $500m in bankers' placements.

What ratio of subscriptions by these will constitute a satisfactory number would subsequently be determined between the central bank and the seven.

The seven are owed some 35 per cent of the total $2.5bn. Therefore, their ratification of the scheme, however conditional, is expected to carry weight with the smaller creditors.

Potential subscribers will be sent a report running to about 300 pages on the Turkish economy and its prospects together with the scheme, the central bank official said.

Simultaneously with the launching of the scheme, the seven banks wil be given an official mandate to syndicate a medium-term loan of $500m for Turkey.

Ministers end Vienna talks on terrorism

VIENNA, Sept. 11.

GOVERNMENT MINISTERS from five West European countries, ending a secret meeting in Vienna, said today they had "exceedingly fruitful" talks on combatting terrorism. The Austrian, French, West German, Italian and Swiss ministers met until after midnight to co-ordinate tactics against urban guerrillas and other terrorist groups. It was the second such meeting in five months.

Austrian officials reported close co-operation between security forces of the five countries in tracking down urban guerrillas who have established close links throughout Western Europe.

Reuter

Giscard makes mini-shuffle

By Robert Mauthner

PARIS, Sept. 11.

A NEW Minister for Feminine Affairs, Mme. Monique Pelletier, was appointed by President Giscard d'Estaing in a mini-Government reshuffle tonight.

President Giscard caused a minor sensation when he appointed a Secretary for Feminine Affairs — Mme. Francoise Giroud, a former magazine editor—in the first Government after his election to the presidency in 1974.

However, since August, 1976, when M. Raymond Barre replaced M. Jacques Chirac as Prime Minister, the post has been in abeyance. It has now been upgraded to full ministerial rank.

Mme. Pelletier, a mother of seven children, was previously Secretary of State at the Ministry of Justice. She has been replaced as junior Minister at the Justice Ministry by M. Jean-Paul Mourot.

The third appointment nounced tonight was that of M. Pierre-Bernard Reymond, 34, as State Secretary, Foreign Ministry, with special responsibility for European Affairs.

Catalans call for

BY OUR OWN CORRESPONDENT

ABOUT 20,000 people demonstrated last night in Barcelona, in commemoration of Catalonia's national day, in a show of force by minority parties calling for Catalan independence.

The more moderate parties represented in Parliament may have difficulty in matching this demonstration, when they attend today's official commemoration.

The new-found support for those parties advocating independence for the "Paisos Catalans" (Catalan-speaking areas which also include Valencia, the Balearic Islands and the Rosellon area of southern France), comes not so much from identification with their aims as disenchantment with the efforts of Sr. Josep Tarradellas, president of the provisional autonomous government of Catalonia, in negotiating the restoration of full Catalan home rule.

In private, representatives of the parliamentary parties in the autonomous government have frequently expressed exasperation with Sr. Tarradellas.

But they have turned their energies to ensurin commemoration of t national day would n an overt protest President. Instead, sought an unobtrusi national affirmation."

The size of t demonstration is disr is expected that the parties will make e effort to equal it t

They are conscio year, more than demonstrated in B favour of home rule

Also in Barcelona tives of the Basqu Party (PNV) have talks with the nationalist Catala Convergence Par what is believed t to work out a joi the new constitut

The debate on sial articles in t relating to regio due to begin in morrow. It has subject of 11th- between the PN

Year of dis experiment

BY DAVID GARL

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ON SEPTEMBER 23 last year, Sr. Josep Tarradellas returned triumphantly from exile to become the fourth President of the Generalitat, Catalonia's traditional form of autonomous government, which had just been re-established on a provisional basis by royal decree. "Ja soc aqui" (I am here at last) were his first words to the delirious Barcelona crowds that greeted him, words which seemed to flesh out the bones of Catalan national aspiration — thwarted by 40 years of Franco's rigid centralism — and which appeared to answer the call of the million people who had come out into the streets of Barcelona two weeks earlier on September 11, to celebrate Catalonia's National Day.

But as National Day comes round again, and Sr. Tarradellas' provisional mandate nears completion of its first year, it has become clear that something is rotten in the putative Generalitat of Catalonia.

The dry run for the "Diada," as the National Day is known, was the feast of St. George, also Catalonia's patron saint, in April. Six months after his return, Sr. Tarradellas was barracked by nationalists and "Catalanists" of all stripes, impatient with his efforts to secure a genuine measure of home rule for the region.

The main Catalan parties—the Socialists, Communists, and centre-left Nationalists of Sr. Jordi Pujol's Convergencia Democratica de Catalunya (CDC), which between them won an impressive majority in Catalonia in the June 1977 general election—became aware that demonstrations of the size and emotion of last year's historic Diada could turn easily into protests against President Tarradellas, and a radicalisation of the Catalan situation, which they are anxious to avoid.

If the main cause of Catalan disenchantment was the delay in the transfer of power to the Generalitat, this would not necessarily reflect on Sr. Tarradellas, since it was made clear that substantial power could not in any case be handed over until the new constitution is formally approved by referendum. The real problem is that those powers which have been devolved, or earmarked for rapid devolution, have been held up not by the central Government but by President Tarradellas himself.

When the Catalan parties called for the restoration of the Generalitat during the 1977 election campaign, they were calling for the recognition of Catalonia's historic national rights. They gave little thought to the consequences of allowing these rights to be identified exclusively in the person of the ageing president-in-exile of the Generalitat. It was Prime Minister Sr. Adolfo Suarez who first glimpsed the possibilities, having sounded out Sr. Tarradellas through intermediaries, and then in tough negotiations in Madrid shortly after the elections.

The objective in recalling the president—successfully achieved — was to push the newly victorious Catalan left onto the political sidelines. The independent Senator, Sr. Josep Benet, the man who won most personal votes and a popul succeed Sr. Tar this post-electo finest politic Suarez's care

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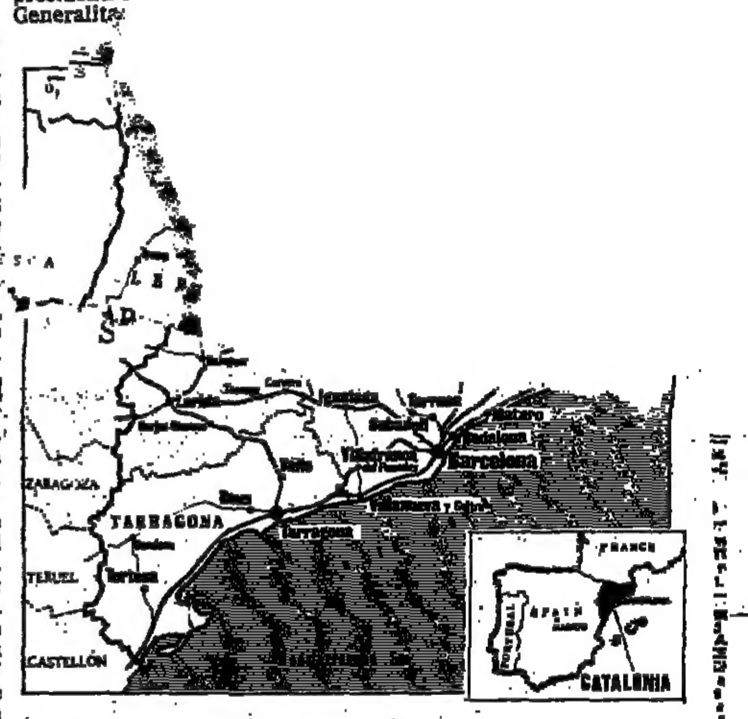

conscious, these leaders paradoxically have neglected the growing frustration at the base of their own parties, which has led to tensions, defections and resignations.

These tensions came to a head last month with the sacking by Sr. Tarradellas of Sr. Pere Comas, adviser to the Conseller for Health, who like Sr. Comas, is a member of the PSUC, the Catalan Communist Party. Sr. Comas, a prominent lawyer, had published an article which sought to prove by legal analysis that the considerable financial and political power of the Diputaciones, or provincial governments, should have been transferred to the Generalitat as had been agreed between Sr. Suarez and Sr. Tarradellas in conversations held as far back as April.

He concluded, as had Sr. Martin Villa, the Spanish Minister of the Interior, before him, that the Diputaciones were the exclusive concern of the Generalitat. The finger pointed indirectly at Sr. Tarradellas, who had been privately accused by his Consellers, of wanting to keep the powers of the Diputaciones out of their hands for electoral reasons.

The parties represented in the Generalitat, and particularly the PSUC, put up little opposition to the sacking, instead proceeding with their original strategy, which consists in having a draft Statute of Autonomy ready to present in Parliament the day after the constitution goes to referendum, thought now to be in mid-November.

place of work—Nuria, where the 1931 Statute, subsequently pruned by the 1932 Republican Parliament—was drafted.

The central Government for its part, again stole a march on the Catalan leaders once it had grasped that Sr. Tarradellas' image was deteriorating among his own people. It carried out an opinion poll which confirmed this following the barracking of the President on St. George's Day, by when popular cartoonists were picturing Sr. Tarradellas as Sr. Suarez's Trojan Horse in Catalonia, and the columnists had begun to compare him with De Gaulle.

The Government in any case looking for a boost to its minority position in Parliament, entered into contact with the centre-left Nationalists of Sr. Jordi Pujol, which had given critical backing to the Government on a majority of social and economic issues.

As a reward, Sr. Pujol gained the electoral kudos of restoring the teaching of Catalan in Catalonia's schools, a measure which had been agreed in April with Sr. Tarradellas. The decree was held up when the Catalan Nationalists abstained on the proposal, eventually rejected, to inscribe the right of Spain's national and regional minorities to self-determination in the constitution. But the relationship has continued, giving rise to premature speculation of the CDC entering into a coalition with the Government.

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Portugal parties challenge da Costa

BY OUR OWN CORRESPONDENT

LISBON, Sept. 11.

PORTUGAL'S political parties began a tense game of brinkmanship today at the start of a scheduled five-day debate on the government of Sr. Alfredo Nobre da Costa.

Three of the four parliamentary parties presented rejection motions of the non-party administration's 400-page programme when Parliament resumed its sitting this afternoon.

If any of the motions receives an absolute majority vote in the 263-seat Parliament, the two-week-old Cabinet, headed by the 55-year-old industrialist, will fall.

Voting is expected tomorrow before any real debate on the programme gets under way. This clearly suggests that the parties are not critical of the policies outlined by Sr. da Costa—which differ little anyway from those of the two previous Socialist-dominated governments—but rather are rankled because a non-party government is running a Western-style democracy.

However, it is not by any means certain that the Government will be ousted as a result of the party motions. The Communists, first to table a rejection motion, said they would vote only for their own motion.

Differences between former governing partners, the Socialists and the Conservatives, both of which have also laid rejection motions on the table, could mean that neither of them would support the other's initiative. And the centre-right Social Democrats have already said they will not block the Government's programme.

Given the voting strength of the Socialists, Conservatives and Communists, an absolute majority could only be created if the Socialists made a deal with either the Communists or the Conservatives.

This may be Sr. da Costa's trump card. For if the party members do not act together, the Government will survive.

Should a majority vote oust the new premier, President Antonio Ramalho Eanes would have to start again the difficult hunt for a successor and probably speed the chances of early general elections.

These would normally be held only in 1980. New electoral legislation is in hand to update the electoral rolls and revise the voting laws to ensure that all is prepared if early polling becomes inevitable.

Socialists win French by-election

By Robert Mauthner

PARIS, Sept. 11.

E FRENCH Socialist Party confirmed its growing ngth in the country with a r-cut victory over the Government parties in a by-election in northern department of Pas-alais.

. Claude Wilquin, whose vic- in the March general elec- by a bare 122 votes was sequently invalidated by the stitutional council, increased majority over his Giscardian l to more than 10,000 and ed a more than comfortable per cent of the total votes

ne result is not necesarily as of great national signifi-ce—the personalities of lidates traditionally play a ger role in by-elections than eneral elections—but it does ct increasing public discon- with the Government's nomic policies.

ne particular cause for con- is unemployment, which in , rose by 4.6 per cent on a nth-to-month basis to a sonally adjusted record 1.24m.

With hundreds of thousands of ool-leavers coming on to the our market in the autumn, no spect exists of a quick improvement in employment.

. François Ceyrac, president of Patronat (employers' federa-), has said he does not ex- unemployment to decline l the beginning of next year, he earliest.

. Overall French gold and ign currency reserves eased by FFr 1.263bn in gust to FFr 121.028bn, the nomics Ministry said yester-, AP-DJ reports from Paris.

OECD area prices rise

By Our Own Correspondent

PARIS, Sept. 11.

CONSUMER PRICES in the OECD area rose by 0.7 per cent in both June and July, a less pronounced seasonal deceleration than during the two previous summers.

A marked acceleration in the area's six-monthly rate of price increases to an annual rate of 9.6 per cent, compared with 8.1 per cent for the 12 months from July 1977 to July 1978, was concentrated mainly in North America. In the U.S. the rate of inflation increased by 1 per cent in June and by 0.7 per cent in July, while in Canada it jumped by 0.9 per cent and 1.5 per cent respectively.

The best performer was Japan where the rate of inflation actually declined by 0.6 per cent in June before rising by 0.4 per cent in July. West Germany and Switzerland kept prices stable in July, after a rise of only 0.2 per cent in June.

U.K. prices, after rising by 0.8 per cent in June, increased 0.5 per cent the following month.

Lambsdorff-Kosygin trade talks

BY DAVID SATTER

MOSCOW, Sept. 11.

COUNT OTTO LAMBSDORFF, West German Economics Minister, met Mr. Alexei Kosygin, the Soviet Premier today, for talks on expanding trade between the Soviet Union and West Germany.

Count Lambsdorff is in Moscow for the eighth meeting of the West German-Soviet joint commission. West German sources said Mr. Kosygin told him that he came at a good time because Soviet planners are working on the 1979 plan and preparing the 1981-85 Plan.

West Germany is the Soviet Union's largest western trading partner and six months' trade figures released by the West German Government show that trade volume increased 19 per cent during the first half of this year, compared with the same period last year.

West German exports, which continued to be overwhelmingly machinery and finished goods, had a value of DM 3.35bn—a 14 per cent increase over the same period last year.

West German imports of Soviet goods had a total value of DM 2.43bn during the first six months of this year, a 26.3 per cent increase over the first half of 1977. Increased West German imports of Soviet semi-finished chemical products were particularly noticeable.

The comprehensive Soviet six months' trade figures showed one of the most unfavourable trade balances with the west in recent years. They stood at a deficit of Roubles 1.9bn (£1.45bn) even though the share of the West in Soviet foreign trade declined to 28 from 29 per cent during the first half of last year.

Final push

A Soviet effort to reduce trade with the West is expected to continue, but will probably not affect Soviet-West German trade because Russia will probably have to avail itself of West German machinery and equipment in the final push to achieve the targets of the 1976-80 Five Year Plan.

Among the projects expected to be discussed in the meetings of the Joint Commission are Soviet-West German co-operation in fibre production at Mogilev, steel production at Kursk, and car production at Togliatti.

Taking part in the discussions are representatives of Hoechst, Krupp, and the West German Trade and Industry Association.

Recently, Deutsche Babcock, the West German heavy engineering and generating equipment manufacturer, signed a co-operation and joint venture agreement with the Soviet Union.

Under the agreement, the German concern and the Russians will work together on the design and manufacture of power station equipment both for the Soviet market and for sale in third countries.

Count Lampsdorff, who arrived in Moscow today, is scheduled to leave tomorrow after a possible meeting with Mr. Nikolai Patolicher, Soviet Foreign Trade Minister.

Polish farm pension row grows

By Christopher Bobinski

WARSAW, Sept. 11.

A REVOLT over a new pensions programme for Poland's farmers appeared to be spreading today.

A second group of Polish farmers has joined those in the Lublin region of eastern Poland who are protesting against the level of contributions in the compulsory scheme introduced earlier this year.

A meeting of about 200 farmers from 15 villages, held at the weekend at Zbrosza Duza south of Warsaw, declared they would not pay the pension dues and pledged solidarity with the Lublin farmers' self-defence committee.

In a petition, the Zbrosza Duza farmers declared that the pensions scheme was unjust and must be changed, and that farmers must have a say in the forming of official Government policy. They also protested against shortages of food and means of production.

EEC budget presentation

LUXEMBOURG, Sept. 11.

THE EUROPEAN Parliament today opened its first five-day session after the summer holiday with the presentation of the EEC's draft 1979 budget by Herr Hans Matthoefer, the West German Finance Minister.

Herr Matthoefer, current president of the EEC Council of Ministers, proposed a payments budget of 13bn European units of account, a 5 per cent increase from this year.

Reuter

Russia seeks pact to outlaw all depreciated ships

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

BRUSSELS, Sept. 11.

THE SOVIET UNION is seeking international agreement to outlaw all fully depreciated ships in an effort to remove the surplus of vessels prolonging the world shipping depression.

Mr. Igor Averin, head of foreign relations in the Soviet Ministry of Merchant Marine, said at a shipping conference here today that the plan would also help to rid the world of the old and sub-standard vessels most likely to be involved in accidents and cause pollution.

The agreement should also be framed, he suggested, to regulate the use of flags of convenience, which were having an "increasingly destructive effect" on world shipping. Such an agreement would also help curtail unfair competition.

After his address, delivered to a Sea Trade conference, Mr. Averin said that he would be pressing for support for his plan at future meetings with Western governments.

Western ship owners have often accused the Soviet Union of "dumping" its shipping services on selected routes simply in order to earn foreign currency, or for strategic reasons.

Mr. Richard Burke, EEC Transport Commissioner, reiterated this attack in an earlier speech to the conference when he said that Soviet shipping policy amounted to "abuse of the freedom of the seas."

Mr. Averin said this kind of argument was only credible to the naïve. The Soviet Union had only 5 per cent of the world general cargo fleet and 1 per cent of the container ship fleet. As such, Russia could not be held responsible for the industry's problems.

As for the accusation that Russian shipping lines were unwilling to join Western lines in regulatory shipping conferences, Mr. Averin claimed that applications for membership were being blocked in order to strengthen the characterisation of Soviet lines as "irresponsible and malicious" outsiders.

Norwegian fleet declines

BY FAY GJESTER

OSLO, Sept. 11

NORWAY'S MERCHANT fleet is shrinking rapidly. Few new ships are being delivered, and shipping companies continue to sell heavily abroad.

In August, for the second consecutive month the net decline in the fleet exceeded 800,000 tons deadweight, according to a survey by an Oslo newspaper. By the end of last month total tonnage had fallen to only 44.6m tons deadweight, from 48.6m on January 1. This still keeps Norway in fifth place among the world's shipping nations, now headed by Liberia (almost 150m dwt). Japan, with 62m dwt, comes second and Greece and Britain with 52m and 50m dwt respectively third and fourth. In sixth place is Panama (35m dwt), which has acquired a good deal of the tonnage that traditional shipping countries have had to sell this year.

Poland pays more attention to the needs of the consumer

BY ROGER BOYES RECENTLY IN WARSAW

RSAW must come as something of a surprise, perhaps even relief, to the average Russian tseer as he steps from his ty Intourist bus. Instead of sagging Glory-to-Lenin-and-zhnev billboards which inate Moscow streets, there posters urging Poles to see latest King Kong film, and, iscreet corners, red and white a Cola signs.

hese advertisements for Coke, e the despised symbol of all was bad in capitalism, are offshoot of a licensing agreet with the U.S. company. But also illustrate a more ral tendency. In Polish omic life—a shift away from slavish commitment to ract economic targets towards ore flexible form of "market ilism" which takes some unt of consumer needs.

he move was a direct conence of the explosive mixture opular discontent over food tages, gradually rising unloyment and frozen wages h, when ignited by the mber, 1970 price rises, led e ousting of Mr. Wladislaw ulka, the First Secretary of Polish United Workers' y.

der Mr. Eduard Gierek, Mr. ulka's successor, the changeconomic priorities became immediately apparent. Real wages rose sharply partly due to the high rate of increase in old age pensions and other pensions as well as an upward adjustment of the minimum wage. Housing construction has also been stepped up and over 1m new jobs created.

Polish planners have taken the new consumer emphasis seriously and have restructured the whole planning process to cope with the new investment policies. Under Mr. Gomulka, the planners used to prepare a balance sheet of all available resources, allocate them according to established priorities—heavy industry, for instance, would be top of the list—and then estimate the potential increase in output. Under Mr. Gierek, however, the economists have started with targets for increases in real wages, consumption and employment, which then became the primary basis for calculating production targets and investment.

"We don't want growth for growth's sake," Dr. Stephan Hatt, a senior member of the Central Planning Commission recently told the Financial Times. "Everything must benefit the citizen in the end." The Soviet model of growthmanship has been discredited in Poland where the workers have not been shy about protesting when their interests have been overlooked.

But putting more money into the pockets of the Poles has caused considerable strains in the economy, and a chronic imbalance has built up between national personal income and the supply of consumer goods. The problem is how to soak up the extra cash when there are still severe shortages in the consumer sector. Savings are encouraged but most are "forced"—created by the lack of sufficiently attractive goods on the market.

Advertising, extremely rare in Eastern Europe, is an effort to absorb some of this cash but according to Polish officials, it has had limited effect. Perhaps more significant than the Coke advertisements are the posters which trumpet "Cheese is good for you."

Cheese, in the official view, has become even better for the Poles since the acute meat shortages first hit the country. A combination of bad harvests, inadequate supply lines and poor storage facilities has led to meat queues becoming a standard feature of Polish life. Hence cheese, other dairy products and poultry are constantly extolled as suitable meat substitutes.

Meat production is of great significance. It largely determines the overall profitability of farming and the incomes of the rural population, has an important bearing on Polish foreign trade results (because of growth imports), affects the morale of urban consumers and can siphon off excessive purchasing power in the cities. Analysts generally agree that there is a high income elasticity in the Polish consumer's demand for high-quality foods and that workers' income increases tend to be translated immediately into increased demand for meat.

Polish planners are trying to put this right by gradually reforming agriculture, which is among the most inefficient in Eastern Europe. The official view is that when the majority of private smallholdings are phased out—there is no question of forced collectivisation — large collective and State farms can specialise, introduce economies of scale and raise productivity. Quite apart from meeting consumer needs, these changes are also aimed at cutting the large grain imports which are swelling Poland's trade deficit with the West.

Such reforms will pay off only in the long term—too long, perhaps, for the disgruntled consumers. In the short term, the market imbalance between supply and demand could be adjusted simply by raising prices.

But such price rises proved politically unacceptable. The announcement in June 1976 of a sweeping set of price increases for meat and other foods prompted widespread worker protests. The Government, fearing a repeat of the 1970 riots which toppled Mr. Gomulka, was forced to back down.

But Poles complain that even now the planners are introducing price increases by substituting brands and changes in specification or by the withdrawal from the market of relatively cheaper products and their replacement by more expensive items. Officials maintain that the substitute brands are of better quality and therefore warrant the price increases, but many Poles are sceptical.

The Polish planners are trying to ease the situation by creating alternative retail outlets. They are introducing, for instance, a growing number of state-owned "commercial shops" which sell meat and other goods in short supply, such as cars at realistic prices. The Poles have the choice of buying the goods at subsidised prices in ordinary shops—when they are available—or paying a much higher price at the "commercial" shops. The idea is to soak up the extra cash of the urban consumer and to get the customer used to paying higher prices for goods in short supply.

Some Poles, however, complain that the commercial shops show that the authorities are more interested in profiting from the shortages than solving them. The commercial shops, though aimed partially at undermining the thriving black market, appear to be making more money than the marketeers. Nonetheless, most Polish consumers accept that the shops do at least provide a proportion of the goods they need and the number of shops is now believed to be well over 300.

Another system for easing the demand/supply imbalance has been the agency shop, allowing private traders to lease shops from the state and keep most of the profit. Theoretically, these can compete against state shops providing better service and releasing manpower which could be rechannelled to the understaffed larger stores and supermarkets. The state, too, clearly hopes that small businesses which persistently ran at a loss could be turned into profitable enterprises by injecting an element of private enterprise.

Smith disappoints Rhodesia's whites

BY QUENTIN PEEL

SALISBURY, Sept. 11.

WIDESPREAD frustration and disappointment among white Rhodesians today greeted the announcement by Mr. Ian Smith, the Prime Minister, of a limited introduction of martial law, without any definite retaliation against the guerrillas who shot down a civilian airliner eight days ago, killing 48 people.

For once, the Rhodesian Premier appears to have been unable to match the mood of his electorate with a suitably bellicose response, and his moves have therefore been widely criticised. At the same time, the clampdown on the internal political representatives of the guerrilla forces has continued. A further 20 members of Mr. Joshua Nkomo's Zimbabwe African People's Union (ZAPU), one wing of the external Patriotic Front, are reported to have been detained, in addition to 19 held yesterday.

Apart from the arrests, there is still no firm indication of the action planned by the authorities under what Mr. Smith described last night as "a modification" of martial law, to be applied only in selected areas.

Although Mr. Smith threatened further cross-border raids into Zambia and Mozambique, he committed himself to no specific actions.

Our Lusaka Correspondent adds: Mr. Nkomo today rejected plans for a Western-sponsored, all-party peace conference as "dead and buried." But speaking at a news conference, he did not rule out completely further talks with Mr. Smith, if Mr. Smith was prepared to surrender power.

Mr. Nkomo, co-leader with Mr. Robert Mugabe of the tenuous Patriotic Front alliance, also delivered a warning to travellers to avoid Air Rhodesia flights following the shooting down of an Air Rhodesia Viscount last week. The statement apparently was intended to further tax white morale.

"To me, the so-called all-party conference is dead and buried," he said, further cementing the deadlock surrounding the public side of Anglo-American diplomacy over Rhodesia. Mr. Nkomo added, however, that if Mr. Smith was ready to surrender, this would be accepted.

Mr. Nkomo said Mr. Smith's announcement of modified martial law and the crackdown on his ZAPU followers inside Rhodesia amount to a declaration of war. "We are ready to fight Smith and his regime." Mr. Nkomo said, forecasting a military victory by next March—after the impending rainy season that usually favours the guerrillas.

In London, Dr. David Owen, the British Foreign Secretary, was scheduled to hold talks on Tuesday with Bishop Abel Muzorewa, one of the parties to Mr. Smith's internal settlement.

Our Lusaka Correspondent adds: President Kenneth Kaunda was nominated today as sole candidate in the Zambian presidential elections due later this year. As expected his United National Independence Party's national council and general conference, meeting at Kabwe 70 miles north of here, endorsed him unanimously and with a show of enthusiasm.

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Blacks 'hung from ceiling'

BLOMFONTEIN, Sept. 11.

A GROUP of policemen suspended six naked black prisoners by chains from a ceiling and subjected them to beatings and electric shock treatment, a South African state prosecutor said today.

He made the allegation at the opening of the trial of two white and four black detectives and two white civilians on murder and assault charges. All pleaded not guilty as did a third white detective charged with assault.

Eight days after the alleged beatings one of the prisoners, Jankie Mahlomola Matobako, died in hospital.

Mr. A. R. Erasmus, the prosecutor, submitted to the court a written statement that said the six blacks were arrested early on March 11 after a burglary at a farm near Welkom in the Orange Free State. "They were hung naked by their wrists," the statement said. "As they hung, they were hit with a sjambok (leather whip) and hosepipe."

More than 30 witnesses have been ordered to give evidence at the trial which is expected to last several days.

In Johannesburg: Security police are reported to have detained at least nine relatives and friends of Steve Biko, the black leader who died a year ago.
Reuter

'War measures' by Hanoi

BY JOHN HOFFMANN

PEKING, Sept. 11.

VIETNAM IS intensifying war preparations near its border with China, according to Chinese refugees who have crossed into China recently. Large areas of land on the Vietnamese side of the border have been booby-trapped with poison-tipped bamboo spikes, one refugee told the New China News Agency.

The agency quoted interviews to-day with a number of Chinese nationals who claimed they had been forced across the border by Vietnamese officials.

Civilians in the Vietnamese village of Xuan Hai, near the Chinese border crossing point at Tunghsing, had been drafted to build military installations, the Agency said. Chinese nationals been compelled to prepare sharpened bamboo stakes contaminated with ox urine, which were now planted on Vietnamese territory in the Mong Cai district.

A refugee told the news agency that the Vietnamese authorities had ordered district officials in Hong Gai City late last month to "prepare to fight against China."

Robert Wood in Tokyo reports: Chang Tsai-chien, deputy chief of the Chinese general staff, who is making a five-day visit to Japan, is reported to have invited Japanese military officials to visit Peking.

Castro flies to Ethiopia anniversary

By James Buxton

ADDIS ABABA, Sept. 11.

PRESIDENT FIDEL CASTRO of Cuba was on his way here tonight to attend two days of parades to celebrate the anniversary of the 1974 Ethiopian revolution which overthrew Emperor Haile Selassie.

There are believed to be up to 17,000 Cuban troops in Ethiopia. They played a major part this spring in defeating Somali forces in the Ogaden region of the country and are understood to be providing support for the current campaign in the northern province of Eritrea.

It is partly to celebrate the success in the Ogaden and the improved military situation in Eritrea that Ethiopia is celebrating its anniversary on a large scale. Hundreds of thousands of civilian marchers are expected to parade before the Head of State tomorrow. On Wednesday there will be a march past of troops and a parade of tanks and military equipment as well as a flying display.

In keeping with the role the Soviet Union has played in sending enormous quantities of arms to Eethiopia in the past year a large Soviet delegation has come to Addis Ababa. It is led by Mr. Vassily Kuznetzov, First Deputy Chairman of the Supreme Soviet, and includes General Vassily Petrov, a senior army commander. Thanks to the Soviet Union Ethiopia now has the most powerful armed forces in black Africa.

Lebanon likely to extend mandate of Syrian troops

BY IHSAN HIJAZI

BEIRUT, Sept.

THE LEBANESE GOVERNMENT has agreed in principle to the extension of the mandate of the Arab League peace-keeping force, which is dominated by Syrian troops. But it has not received complete Christian support for this move.

The six-month mandate is due to expire on October 24. At the same time, heavy artillery duels between the Syrian troops of the peace-keeping force and Christian militias have carried on unabated and were centred on the south eastern suburbs and the Christian quarters of east Beirut. During the past 24 hours these artillery duels have killed 10 people and wounded about 100.

The continuation of this fighting is a symptom of the growing opposition of the Christian leaders to the extension of the peace-keeping mandate. This has created a problem for President Elias Sarkis and his Government, who met in an emergency session today to consider the problem.

In view of this opposition, Mr. Sarkis had tried to hold a summit meeting with President Hafez al Assad of Syria, but could not because of Mr. Assad's five-day visit to West Germany which began today. Therefore, the proposed Syrian-Lebanese summit has had to be postponed until after the Syrian President's return.

Mr. Sarkis believes he can persuade the main Christian group, the Phalange Party, to agree to the extension of the mandate of the troops if a new security plan is worked out which would take the Syrians out of the Christian quarters of Beirut.

However, a top Christian leader, the former President Camille Chamoun, emphatically said that unde[r no] circumstances will he agre[e to] the extension.

The Prime Minister, Selim al Hoss, who is a Mos[lem], has said that there is no alt[erna]tive to renewing the manda[te of] the Arab force because Leb[anon] has not yet rebuilt its own a[rmy].

Reuter adds from [Beirut]: Lebanese Christian organi[sations] today called for a general s[trike] next Wednesday to pr[otest] against Syrian artillery bom[bard]ments of residential area[s in] Christian East Beirut.

In south Lebanon to[day] residents reported the hea[viest] artillery and mortar exchang[es for] months. The exchange appar[ently] started with firing from left[ist] and Palestinian strongh[olds] directed at three Chri[stian] villages.

'Critical' at Camp David

THURMONT, Sept. 11.

THE WHITE HOUSE said today it was still unable to predict success or failure for the Camp David summit on the Middle East. But it is understood that the summit has reached a critical stage and that the next two days are likely to show what the outcome will be.

President Carter conferred for two hours with President Anwar Sadat of Egypt. Afterwards Mr. Jody Powell, the White House Press Secretary, told reporters: "It is too early to make a judgment about the final outcome of the conference. Neither optimism nor pessimism is particularly justified at this time."

Mr. Powell said the weekend pause in the talks was being followed by more intensive and detailed efforts to break the impasse in Egyptian-Israeli negotiations.

A key meeting was held late yesterday by President Carter and Mr. Menahem Begin, the Israeli Prime Minister, together with all their senior advisers.
Reuter

In London, AP-DJ reported: Some Arab diplomats suggested that King Hussein of Jordan might join the Camp David talks under certain conditions. The King is in London on a private visit.

Reuter adds from Bonn: President Walter Scheel of Federal Germany said Syria was playing a key role in the Middle East conflict and there could be no peace without its co-operation.

Herr Scheel was speaking at a banquet for President Hafez al-Assad of Syria who is visiting West Germany. Herr Scheel said Bonn welcomed President Sadat's peace efforts although it knew that Syria and Egypt were at odds over this.

Israeli teachers strike for 25%

By Our Own Correspondent

TEL AVIV, Sept.

ISRAEL'S 60,000 school tea[chers] walked out on strike today [in a] challenge to the Governm[ent's] wage guidelines which [set] increases of 15 per cent a[s the] maximum that the nation [can] afford.

The strike amounted t[o] open defiance of a plea ma[de by] the Prime Minister, Menahem Begin, for teache[rs to] stay at their jobs.

Late last night, the ca[binet] made a compromise offer [which] was turned down by the tea[chers'] leaders.

The teachers are demand[ing a] 25 per cent increase. The [Gov]ernment has said it cannot [pay] more than 12.5 per cent no[w, to] be followed by a further [...] cent in October.

Tanks at Tehran troublespots

TEHRAN, Sept.

TANKS, armoured cars and lorryloads of troops guarded known troublespots in eastern Tehran today where local reports say hundreds of people died in weekend demonstrations. The official death toll is 97.

No incidents were reported today and the show of strength appeared to have been effective.

In a square opposite the railway station in south Tehran, two Chieftain tanks were stationed and soldiers in steel helmets directed traffic. The city's main bazaar was closed.

Meanwhile, the Government has detained a number of opposition politicians, journalists and other supporters. An announcement said eight people, including a former Health Minister and two of his former officials had been arrested.

The official Rastakhiz newspaper said a large number of people, including businessmen, had been banned from leaving the country.

Our Foreign Staff writes: Instability in Iran has led to fears that the Gulf's oil supply of 20m barrels a day could be disrupted, according to oil analysts reported by Reuter in Bahrain.

A Western diplomat said there was a continuing glut i[n the] world oil market, with [...] nations producing 2m barr[els a] day less than productive [capa]city. But producers expect[the] glut to be virtually wiped [out by] the end of the year as oil [com]panies and govern[ments] scrambled to stock up for w[inter] and board supplies to [guard] against a possible oil pric[e in]crease at the next [OPEC] conference in mid-Decemb[er].

Disruption in Iran [could] affect oil moving throug[h the] Straits of Hormuz, controll[ed by] Iran and Iranian-sup[ported] Oman, the analysts noted.
Reuter

SPANISH SAHARA

Mauritanian tightrope

BY TONY HODGES IN NOUAKCHOTT

RELATIONS between Morocco and Mauritania appear to be under increasing strain following King Hassan's warning on August 20 not to allow the Polisario independence movement to set up a mini-state in Tiris El-Gharbia, the Mauritanian sector of ex-Spanish Sahara.

There has been no official reaction here to the King's remarks, though Mr. Mohamed Brezilei, the Information Minister, said disappointedly: "Perhaps that is all he can say because of the local situation." It is understood here, however, that the ruling Military Committee of National Correction (CMRN), which took power in a coup here in July, was "furious."

In his address, King Hassan said that Morocco insists on two conditions in a Saharan peace settlement. "First of all," he said, "this solution must not involve any threat to our territorial integrity. It must not, any more, lead to inserting a foreign frontier between Morocco and Mauritania."

Mr. Reda Guedira, a Moroccan royal Councillor who has been one of King Hassan's leading advisers on the Sahara, repeated these conditions when he flew in here for a brief meeting with President Ould Salek on August 22.

King Hassan probably would have felt it unnecessary to spell out Moroccan policy so bluntly had he not become alarmed by the course taken by the CMRN since the July coup, despite President Salek's repeated re-affirmations of loyalty to the Moroccan-Mauritanian alliance.

Significantly, the Moroccan monarch, in his August 20 speech, advised Lt.-Col Salek not to be "seduced" by Libya, a pro-Polisario state which gave Mauritania a $10m cash gift right after the coup and has since promised further substantial aid.

Well-informed sources here say that the CMRN has held secret talks with Polisario, with Libya acting as a go-between. According to these sources, Mr. Ahmed Ould Wafi, an emissary of the military committee, met Polisario leaders in Tripoli when he held talks with Col. Gaddafy on August 10.

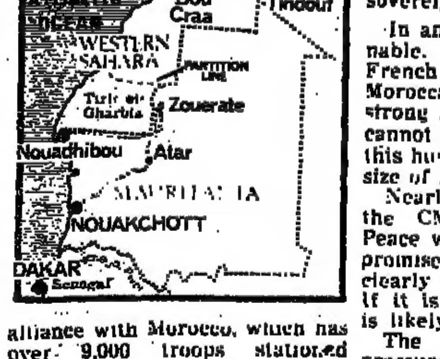
It is also widely believed here that Mr. Ahmed Baba Miske, a veteran Mauritanian politician who has lived in exile since 1967 and joined Polisario in 1975, made contact with the CMRN when he turned up last week in Dakar, the capital of neighbouring Senegal.

The Moroccans have also been displeased by the CMRN's favourable attitude to the idea of a referendum in Tiris el-Gharbia. President Salek said here on August 17 that he was "not against" a referendum.

Any meaningful referendum would imply at least the possibility of a change in the existing Saharan frontiers and hence of a violation of King Hassan's two conditions.

On the other hand, a referendum in Tiris el-Gharbia, with free Polisario participation, is the least that the CMRN could offer Polisario in return for a long-term peace settlement.

Lt.-Col. Salek is in a delicate position. Until now, he has been anxious to maintain Mauritania's



alliance with Morocco, which has over 9,000 troops stationed strategically in Mauritania.

The CMRN has been trying to involve Morocco in an overall peace, since, as Mr. Brezilei put it to me, "everybody must make concessions."

The CMRN is afraid that, if it comes to terms unilaterally with Polisario, Mauritania will still be crossed by Polisaro guerrillas trying to reach the Moroccan sector of Western Sahara. This could even lead to Moroccan hot-pursuit raids into Mauritania and, at worst, to a return to the state of tension that marked the two countries' relations in the 1960s.

But in warning the CMRN not to abandon Tiris el-Gharbia King Hassan has blocked hopes of an all-party peace agreement in the near future.

There are now therefore strong pressures on the CMRN to move towards a peace deal with Polisario, with or without Morocco.

Economically, Mauritania is in no position to support further war. The world recession, which has reduced demand for Mauritania's iron and in June forced the complete shut-down of its copper industry, has, along with the high cost of the war, forced this highly underdeveloped country to borrow more and more from abroad.

According to the Central Bank of Mauritania, the ex[ternal] public debt reached $467m [at the] end of last year, taking [into] account only disbursed fo[reign] loans. This amounts to 9[...] cent. of gross domestic pr[oduct] ($507m). Immediately afte[r the] coup, the CMRN had to [nego]tiate emergency aid of [...] from France, Morocco and [...].

Previously, one of the Go[vern]ment's main sources of rev[enue], the Societe Nationale Indust[rielle] et Miniere (SNIM), which [runs] the Zouerate iron mines, [went] into deficit last year for th[e first] time in its history—to the [tune] of $41m, according to informed sources.

To most Mauritanians, [the] problems created by the s[...] drought seem far more pr[essing] than the need to pr[eserve] sovereignty over Tiris el-Gh[arbia].

In any case, the war is u[nwin]nable. Even with the supp[ort of] French air power and the Moroccan troops here, the [...] strong Mauritanian armed f[orces] cannot hope to police effec[tively] this huge desert nation twic[e the] size of France.

Nearly all Mauritanians e[xpect] the CMRN to end the [war]. Peace was the coup-makers' [main] promise and Maurita[nians] clearly expect it to be ful[filled]. If it is not, the disillusion[ment] is likely to be rapid.

The economic and po[litical] pressures for peace are such [that] Lt.-Col. Salek may now d[ecide] that he has no alternative [but] to ignore King Ha[ssan's] stringent August 20 condi[tions].

On August 5-6, at the meeting of the Mor[occan]-Mauritanian joint defence [com]mittee, the CMRN repr[esen]tatives urged Morocco to [with]draw its troops from A[tar] and Nouadhibou. There h[as so] far been no overall reducti[on in] Moroccan troop strength, but Mr. Brezilei told [the] Financial Times that Mauri[tania] might ask Morocco to with[draw] all its troops.

Known pro-Moroccan officers in the Maurit[anian] army apparently are [being] isolated progressively fro[m their] troops. Thus, Col. M'Bar[...], strongly pro-Moroccan [...] who was inspector-general [of] the armed forces before [the] coup, has been posted to [...] as an Ambassador.

There is probably little Mauritania could do, how[ever,] to stop Morocco taking [over] Tiris el-Gharbia, where [it] already has 3,000 troops. [...] Abdesalam Znined, the [Secre]tary of State in the Mo[roccan] Prime Minister's office, [...] told me that he would [...] doing this if the CMRN [tried to] hand the territory over [to] Polisario.

صورة عن الأصل

Senate begins debate on Carter's gas prices Bill

BY DAVID BUCHAN

WASHINGTON, Sept. 11.

PRESIDENT CARTER faces another crucial test of his standing today as the Senate starts debate on the much-compromised Natural Gas Bill, the remaining lynch-pin of the Administration's energy programme.

The Bill would phase out federal price controls on natural gas over the next seven years. The measure is designed to increase incentives for fresh exploration and production of domestic gas and to reduce the volume of imported energy supplies.

Mr. James Schlesinger, the Energy Secretary, has estimated that the Bill would cut the volume of imported oil by at least 1bn barrels a day by 1985.

Mr. Carter promised in July to the leading industrial trading partners of the U.S. that action would be taken by the end of the year to reduce the future growth in U.S. oil imports—once of the chief factors behind the recent drop in the international value of the dollar.

The other major element in Mr. Carter's original energy programme—a tax on U.S. domestic oil to bring its price up to world levels and thereby encourage conservation—has failed to make progress in Congress. The President has not ruled out executive action such as the imposition of oil import fees to achieve the same effect.

A group of 15 Senators from both parties today called for the speedy passage of the gas Bill, urging their colleagues to do their part "to halt the sharp decline in the value of the dollar." Senator Edmund Muskie, leading the group, argued that the macro-economic effects of the Bill, which might cost consumers as much as $20bn in higher gas prices over the next seven years, would be "negligible in the context of our $2,000bn economy and will have virtually no effect on the inflation rate."

President Carter has lobbied for the Natural Gas Bill with an intensity that he only previously displayed for the Panama Canal treaties. He has even promised to moderate his opposition to development of nuclear breeder reactors to win over recalcitrant Senators and Congressmen.

But the indications are that, in the Senate at least, the Bill has a thin chance of passage. A coalition of Senators who consider that price deregulation would increase inflation, and others who feel that the phasing out of controls on gas prices has been made so complicated as to be unworkable, have threatened to kill the Bill.

Later this week they are expected to try to have the Bill sent back to committee, where it has already languished for eight months. If that move fails, they are expected to filibuster it to death.

Fresh bid to isolate Stevens

BY OUR OWN CORRESPONDENT

NEW YORK, Sept. 11.

IN A further effort to isolate J. P. Stevens, the textile company with a history of resistance to trade union organisation, the Amalgamated Clothing and Textile Workers to-day announced the candidacy of two independent directors for the board of the New York Life Insurance company.

The two candidates, a successful black businessman and a Catholic nun, will be trying to unseat the New York Life chairman, Mr. R. Manning Brown, and Mr. James Finley, chairman and chief executive officer of Stevens.

The union's ingenious campaign to sever boardroom links between Stevens and other corporations has succeeded in removing Mr. Finley from the board of Manufacturers Hanover Trust and Mr. David Mitchell, the chairman of Avon Products, from the Stevens board.

But the attack on New York Life is a major new departure, not least because as a mutual insurance company, its directors are elected by policyholders all of whom have the right to cast a vote irrespective of the size of their policies. Theoretically, the insurgents cannot be blocked by large institutional stockholders as in normal corporate elections.

The union already has submitted a petition to the New York State Superintendent of Insurance seeking to obtain a list of New York Life's policyholders. It then plans to secure the 6,300 signatures it believes are needed to propose its opposing slate. This has to be submitted to the company in November, five months in advance of next April's directors' election.

AP-DJ adds from Detroit: General Motors has announced what appears to be a big concession to the United Auto Workers' Union in the union's long struggle to organise branches in new GM plants in the southern U.S.

GM said it has worked out an arrangement with the union under which UAW members employed by the company will be given "preferential consideration" if they seek jobs at certain of GM's new plants.

This agreement removes a potentially divisive issue from negotiations on a new three-year contract for UAW members at GM, which will be one of the key U.S. pay settlements in 1979.

August retail sales up 0.8%

WASHINGTON, Sept. 11.

SALES BY U.S. retail outlets rose by $498m, or 0.8 per cent, to a seasonally-adjusted $64.58bn in August, the Commerce Department said.

The increase compared with a drop of $374m, or 0.6 per cent in July and left sales 9.4 per cent higher than that of a year earlier.

Sales by durable goods outlets, which fell by $472m in July, rose by $331m, or 1.5 per cent in August to $21.85bn.

Sales by non-durable goods outlets rose by $167m, or 0.4 per cent to $42.74bn, 9.5 per cent higher than a year earlier.

Reuter

Latin America jobless alarm

BY HUGH O'SHAUGHNESSY

UNEMPLOYMENT IN Latin America is alarming and becoming worse, according to the 1977 report of the Inter-American Development Bank (IDB) on economic and social progress in Latin America. The bank says that the economy of the region grew relatively slowly last year because of the effects of the world economic recession and higher energy costs.

In many countries of the area the unemployment rate is higher than in the U.S. or any other industrial country at any time this century, including the depression, the report comments. In an uncharacteristic flourish of alarm the bank adds that unemployment signifies "hunger, poverty, poor health, frustration and idleness," for millions.

A prime cause of the problem is the growth of the labour force at a staggering rate between 1960 and 1975 from 67m to 97m. "The projected increase to the year 2000 is equally awesome and offers a major challenge," the report says. Over the next 20 years the labour force will double to 194m.

At present Brazil has to create 1m new jobs a year to prevent unemployment increasing, while Mexico has to find 600,000 new jobs. At the same time, the demand for labour is increasing more slowly than before. Because of sluggish economic conditions, the report says, there is little hope of output increasing enough to lower unemployment in most countries.

The review concludes: "The continued growth of unemployment will exacerbate the already acute problems. The consequences for Latin America of a vast pool of unemployed workers could be far more serious than the current hardships."

On the broader economic front the bank says that the results for 1977 were not satisfactory. The growth of production slowed down and inflation worsened and became more pervasive, although on the positive side there was a reduction of the external deficit. The gross domestic product grew by 4.5 per cent, slightly less than the 4.8 per cent of the previous year. The slowing of growth was due to more sluggish conditions in Bolivia, Brazil, the Dominican Republic, Haiti, Peru and Trinidad and Tobago.

There was an estimated net inflow of capital in 1977 of about $12.8bn which allowed the region to finance its current account deficit and continue to expand its international reserves.

Referring to the region's increasing use of international private capital markets, particularly the Eurocurrency credit and bond market, the bank says: "The interest rates and terms on which these funds may be available are not always compatible with the external indebtedness capacity of the countries or with their development investment programmes and projects.

The bank acknowledges that there has been a great deal of concern about the external public debt of developing countries but claims that this is unjustified because of the strong growth performance of the developing countries as a group over the past 15 years.

Peruvian miners sacked

LIMA, Sept. 11.

PERUVIAN LABOUR leaders said today that, despite a government pledge of no reprisals, 54 miners have been fired for their part in a five-week-long strike which shut most of the metal mines in the country.

During the weekend, the miners' union suspended the strike for a month to ease the way to a negotiated settlement.

The miners are demanding the re-instatement of 320 colleagues dismissed after earlier strikes.

The latest dismissals were from the state company Centromin, which accounts for over half of Peruvian mineral exports, including copper, silver, lead and zinc.

So far, the strike is officially estimated to have cost Peru $70m in lost foreign exchange earnings.

In Santiago, the Chilean President, Gen. Augusto Pinochet, ordered wage talks between the state copper company Codelco and workers at the Chuquicamata mine to be resumed tonight. He ordered that the talks continue until a definitive settlement was reached. The workers are demanding a 50 per cent increase in wages and bonuses, according to the company president, Gen. Orlando Urbina.

Last week, security forces rounded up 52 workers for taking part in political meetings at the mine.

Reuter

THE CRISIS IN NICARAGUA

Martial law in two cities

BY JOSEPH MANN

MANAGUA, Sept. 11.

THE NICARAGUAN Government decreed a state of martial law in the cities of Masaya and Esteli late last night, after a weekend of the worst civil rebellion in the country in recent years.

Much of the city of Masaya was in flames as heavy fighting continued. The army has closed Masaya and Esteli to civilians.

Using heavily armed commandos, armoured cars, recoilless rifles mounted on Jeeps, and heavy machine-guns, the National Guard put down guerrilla attacks and street rioting in the capital, Managua, and the cities of León and Chinandega yesterday.

But heavy fighting continued in Masaya and Esteli today and the National Guard strafed rebel positions from a helicopter.

The government put Masaya and Esteli under a state of siege today, and the Guard refused to allow the Red Cross and journalists into Masaya as a score of lorries loaded with commandos moved in.

Fighting in Managua, the capital, this weekend caused some 200 deaths, it is believed here. According to opposition information, the death toll throughout the country could reach 400.

Red Cross workers have only begun to remove dead and wounded from the scene of the fighting in León. Most of the dead and injured were civilians—many of them women and children.

It is virtually impossible to ascertain the number of soldiers killed, because the Government minimises its casualty count to play down the effect of guerrilla attacks.

The President, Gen. Anastasio Somoza, has given no sign of resigning the presidency. He has said repeatedly he will remain in office until his term ends in 1981.

An opposition politician charged today that the Government has started to arrest political activists, professional people and others from middle-class families in an effort to root out sympathisers with the guerrillas and put an end to a general anti-Government strike which began on August 25.

The aim of the strike is to unseat Gen. Somoza and install a new broadly-based Government.

The rebellion at the weekend is the work of two different groups—the well-armed Sandinist Liberation Front guerrillas and lightly-armed teenagers (both boys and girls) from poor districts.

Although guerrillas left the scene of the fighting in Managua and León yesterday, other guerrilla units and armed youths are said to be continuing heavy resistance today in Masaya.

Until the weekend, the capital had experienced only isolated terrorist actions. This time, however, Sandinist guerrillas attacked at least six police stations and forced the National Guard to seal off sections of the city. Today, road blocks have been set up in various parts of the capital and troops are searching private vehicles.

In León yesterday, I walked through deserted streets in the central district, which resembled a ghost town.

A group of men and women approached us on the street, asking, "help us against the National Guard. They set fire to homes and shot women and children. They are bloody people. We don't want Communism here, we just want Somoza to go. Tell that to Carter."

LEGIONNAIRES' DISEASE

The latest plague of New York

By John Wyles in New York

IN RECENT years, the fates have spared New York City no major affliction from bankruptcy to mass murder. But, in some respects, these have proved easier to assimilate than a mysterious pneumonia-type illness called Legionnaires' disease, which has swept through the Manhattan garment district in the past ten days.

The baffling disease first attracted national attention in 1976 when it struck 221 persons at an American Legion convention at the Bellevue Stratford hotel in Philadelphia. The resulting death toll of 34 gave the malady its name and fearsome reputation for striking at random without apparent cause.

Since the end of August, there have been six confirmed cases in New York, 97 suspected and two fatalities. All of those afflicted have been workers in the somewhat seedy and decrepit garment district on West 35th and 36th Streets, bounded by Broadway and Eighth Avenue. But anxiety and even panic have spread far beyond this small area, and several thousands of calls have been received by an office set up to deal with people who believe that they may have appropriate symptoms. Since early last week, the mayor of N. York, Mr. Edward Koch has called a daily news conference on the affair. Following some calls to the office, he was at pains yesterday to reassure New Yorkers that their dogs were probably safe from the malady.

Streets and subways in the district have been washed down, and water towers suspected of harbouring the responsible micro-organism have been emptied and disinfected. In addition, businesses in the garment district have been urged to turn off their air-conditioners, which have been suspected of transmitting micro-organisms in other outbreaks elsewhere in the country.

The arrival yesterday of scientists from the U.S. Disease Control Centre in Atlanta, Georgia, underlined the seriousness of the outbreak. The centre has been closely studying the illness since the outbreak at Philadelphia and, although it has been established that legionnaires' disease can be cured by erythromycin, a powerful anti-biotic, it still takes three weeks to establish its presence diagnostically. It has not been discovered where the bacterial infection lives, nor how it is spread. The first signs tend to be general malaise, muscular pains and headaches. This is usually followed by a temperature of 102 degrees and accompanied by some lung congestion, and sometimes by abdominal pain, chest pain, diarrhoea and vomiting.

Researchers now estimate that, since 1966, there have been 983 confirmed cases—including five in Nottingham, England, last year — and 160 deaths. Investigations are complicated by the fact that the disease does not always appear in epidemic proportions. More than 300 of the known cases have been isolated and unrelated to any general outbreak.

One prominent theory is that the organism lives in the soil and spreads when construction work raises clouds of dust. However, construction workers do not seem to be any more liable to contract the disease than other groups, despite their exposure to dust.

An outbreak in Pontiac, Michigan, in 1968, first linked the disease to air-conditioning, because the 95 afflicted people contracted it only when the air-conditioning in the building concerned was operating.

David Fishlock, Science Editor, adds: Legionnaires' disease is the name given to a severe, often fatal, form of pneumonia. Although now known to be caused by a bacterium, not a virus, it does not respond well to the customary antibiotics.

There is no indication that the infection spreads from person to person. Rather, it is believed that there must be some factor present which causes the disease to start simultaneously in a group.

At least ten such outbreaks, including the latest in New York, are known to have occurred since 1965, among them the one in Nottingham late last year, and another among holidaymakers returning from Spain to Glasgow in 1973.

The organism which causes legionnaires' disease was finally isolated after the Philadelphia outbreak, in the course of a search led by the Disease Control Centre. Medical scientists now believe that the organism occurs widely, but they still do not understand the circumstances which can cause an outbreak.

The difficulties which they have experienced in trying to cultivate the organism suggests that a bird or a small animal, capable of cosseting it under very closely controlled conditions, may be the carrier for a disease which appears to kill about 17 per cent of its victims.

U.S. COMPANY NEWS

Surprise move at Sun Company; Fairchild Industries indicted on tax charge; Republic Steel confident—page 34

October date set for Hua official visit to Britain

BY COLINA MacDOUGALL

THE CHINESE Foreign Minister Mr. Huang Hua, is to pay an official visit to Britain, the Foreign Office announced yesterday. He is arriving on October 10 from New York following the opening of the UN General Assembly and is expected to stay until the fourteenth.

He will be returning the visit to China by the late Mr. Anthony Crosland in 1976.

Mr. Huang accepted the invitation in principle several months' ago but owing to Foreign Secretary Dr. David Owen's full programme, the British Government was not able to receive him when he visited Europe earlier this year. However, Dr. Owen and Mr. Huang met in June at the UN in New York.

Mr. Huang and Dr. Owen are expected to hold talks on a wide range of bilateral and international matters. While there are no issues outstanding between the two countries, the talks are expected to set the seal on a fruitful year in Anglo-Chinese relations. Trade in particular is expected to grow rapidly as a result of contracts already concluded this year and others still in the pipeline.

While it is possible that defence questions may be discussed, it is not expected that any arms deals will be signed during Mr. Huang's visit. A large Chinese delegation went to the Farnborough Air Show last week and is still in Britain touring defence establishments. Chinese decisions will probably have to await deliberations after this team returns to Peking.

The past year has already seen visits to Britain by the Chinese Minister for Foreign Trade, Planning, Agricultural machinery, Health and Machine building, while the British Secretaries for Health, Education and Foreign Trade have been to China.

Gullick Dobson contract

BY COLLEEN TOOMEY

GULLICK DOBSON International, a UK mining machinery manufacturer, has won a contract worth over £10m to supply six hydraulic power roof support installations to China.

The order follows hard on the heels of news announced on Monday by Dowty Group of a £70m order for coal-mining equipment after ten months of negotiation.

The Wigan-based Gullick Dobson company, part of the engineering group Dobson Park Industries of Nottingham, will be delivering the Longwall installations to China by mid-1979. This is the second order to be won in China by the company. The first order, worth £3m, was awarded in 1973 and was reported to be the first modern fully-mechanised European installation of mining equipment in China.

Mr. Tom Pollard, chairman of Gullick Dobson International, said yesterday that the prospects for continuing business after the mid-1979 delivery look promising. "China is going to be a very important part of our business for at least the next decade," he said.

The roof support system, first developed in West Germany, allows a much bigger section of the seam to be taken because it provides greater strength and shielding. The supports chosen by the Chinese include the latest designs in thin seam heavy duty supports and in shield technology for highly-inclined seams.

Japanese Minister in Peking to strengthen trade ties

BY OUR OWN CORRESPONDENT

TOKYO, Sept. 11.

Mr. Toshio Komoto, Japan's Minister for International Trade and Industry, left here today for Peking for discussions with the Chinese on increasing two-way trade.

Speculation in the local Press has centred on the possibility of Japan offering to make advance payments to China for the purchase of oil and coal. Nihon Keizai, the leading economic paper, mentioned a figure of $1-2bn to be arranged through the Exim Bank.

Such payments would be used by the Chinese to pay for capital goods ordered from Japan and in effect amount to long-term credits.

The rate according to the Japanese Press would be 6.25 per cent over five years. Though this is below the 7.5 per cent minimum rate for long-term export financing to developing countries accepted by OECD members as part of a "gentleman's agreement," the Japanese are presenting it as adhering to the spirit of the OECD agreement.

Under a trade agreement signed last February, China and Japan agreed in principle on two-way trade of $20bn over the next eight years. Mr. Komoto's visit is the first by a senior Japanese Minister since the recent signing of a Friendship treaty between the two States on which both sides set much store.

Japanese exports to China during the first six months of this year reached $2bn, an increase of 56 per cent over the same period in 1977. In the same period Japan's imports from China amounted to $903m, an increase of 27 per cent.

The Japanese are extremely anxious to keep up the momentum in their expanding China trade because it is providing them with rising exports at a time when the higher Yen is causing their sales to stagnate elsewhere.

Japanese companies have been announcing completed or possible deals with China almost daily since the beginning of this summer. In the latest deal, Suntory Ltd., a leading Japanese distiller and brewer, told the Chinese to-day that it would be willing to co-operate in the construction of a medium-sized brewery. The plant would be worth Y10-15bn ($50-75m), and the Chinese would pay for it in malt—by exporting 100,000 tonnes a year to Japan.

Mr. Keizo Saji, president of Suntory, is now visiting Peking as part of a businessmen's delegation from Kansai, the industrial area that includes Osaka.

● Hitachi Shipbuilding and Engineering is in line to win roughly $200m of contracts from China for supply of steel production equipment, according to company president Takao Nagata who is currently visiting Peking.

Mr. Nagata was reported as saying that if formally contracted, Hitachi Shipbuilding will supply three continuous casting machines priced at $52m each and four sintering machines priced at $10m each.

They will be installed at the Shanghai-Paoshan steel plant.

Fukuda in Saudi Arabia

TAIF, Saudi Arabia, Sept. 11.

JAPANESE Prime Minister Takeo Fukuda arrived here today for a two-day visit to Saudi Arabia, his last stop on a four-country Middle East tour in which he has offered technical aid in return for improved oil supplies.

Mr. Fukuda, accompanied by Foreign Minister Sunao Sonoda, came from the United Arab Emirates (UAE) after visits to Iran and Qatar.

In Qatar, Mr. Fukuda found a ready response to Japan's search for improved oil supplies, informed sources said.

He told the Emir he was ready to expand technical co-operation with Qatar, a Japanese spokesman said.

Japan and Qatar set up a joint committee to discuss co-operation on technology, petroleum and other industries, officials said.

In Abu Dhabi Mr. Fukuda spoke about larger participation for Japanese companies in development plans, informed sources said. Last year the UAE had a 6.5bn dirham trade surplus with Japan, which is the UAE's largest oil buyer.

Mr. Fukuda said possible fields of Japanese technical assistance include natural gas production, water desalination, agriculture, land reclamation and various aspects of industrial development, the agency said.

Agencies

Marine underwriters pessimistic

BY OUR OWN CORRESPONDENT

VIENNA, Sept. 11.

BRITISH MARINE underwriters view the immediate future with grave concern. Those were the words used today when a report on ocean hull business was made by the UK at the start of the annual conference of the International Union of Marine Insurance here, attended by delegates from 40 countries.

The UK report said that while the market has always accepted its susceptibility to world-wide competition, and while other markets are still finding it hard to underwrite a profitable domestic account, they are nonetheless persuaded that an entry into the international hull portfolio is the passport to profitability. Thus, rate reductions reported last year continue, and the immediate future is viewed with grave concern.

Privately, top insurers from London admit that cheap insurance is strangling hull underwriting accounts, and the efforts of responsible underwriters to harden rates and conditions are usually doomed from the start by the huge amount of excess capacity. Worse, repair costs keep rising, while the market is now used to an annual total loss of shipping of 1m tons gross. There is thus no margin of profit in the current conditions, and many underwriting accounts, both hull and cargo, are well in the red. Casualty figures are expected to show that the pattern of total and partial losses this year to date is no different to 1977.

Underwriters see little hope of salvation until shipping picks up, even though recently there has been a little improvement in freight markets. In the meantime, the London market would like to see the withdrawal of the "fringe" insurers who have been instrumental in forcing rates down to rock-bottom levels.

The market's delegation to the IUMI conference is led by Mr. B. K. Williams, chairman of the Institute of London Underwriters, and Mr. J. A. Oliver, chairman of Lloyd's Underwriters' Association.

Third World victory in technical co-operation

BY K. K. SHARMA

BUENOS AIRES, Sept. 11.

DEVELOPING COUNTRIES (or the "group of 77" as they are called) won a major victory today by getting the entire United Nations system to back their movement for technical co-operation. This means that the movement for Technical Co-operation among Developing Countries (TCDC) will be institutionalised in the UN system.

This is expected to be formally approved by the UN TCDC conference before it ends here tomorrow. The move, which has been vigorously opposed by the OECD countries, was finally accepted at late night negotiations which continued until early this morning.

The institutionalisation of the TCDC movement means that the Third World will have a fully operational secretariat for its needs within the UN system, a move for which was made when the Buenos Aires conference began a fortnight ago. Funds for the institution will be provided from allocations made to the Third World countries by the United Nations development programme but the precise amount will not be known until tomorrow.

It is proposed that the governing council of the UN development programme will hold a meeting in June, 1979 to launch the TCDC movement. It will report to the UN general assembly and hold meetings annually until 1981 and biennially after that. The secretariat and servicing of the TCDC movement will be provided by a special unit of the UN development programme.

The movement will implement a detailed plan of action which the conference will endorse either tonight or before the conference concludes tomorrow. The plan provides for a national, regional and global exchange for the betterment of the developing countries through increased economic and technological co-operation. In effect, it means a major breakthrough for the movement by developing countries to push ahead by themselves in view of the slow progress made by the North-South dialogue.

The move was opposed by the OECD countries largely because they wanted to avoid a confrontation and also because they did not want to create a new institution for TCDC on the ground that this would duplicate many existing international arrangements. They finally gave in when it was agreed to operate the new arrangement through the UN system and when it was made clear that no additional funds would be required.

UK grant $50m cre[dit] to Pemex

Financial Times Reporter

THE Export Credits Gu[arantee] Department has agreed its backing to an agreem[ent for] a $50m export credit signed between Baring [Brothers] and Petroleos Me[xicanos] (Pemex) of Mexico. Th[is] will help finance the su[pply of] UK plant, equipment associated services for the [explora]tion and development [of] Mexican oil, natural gas, and petro-chemical indust[ries].

Under the terms of the [agree]ment Pemex will be reim[bursed] for cash payments p[reviously] made by them to UK su[ppliers]. This arrangement will [enable] exporters to negotiate [with] Pemex on a cash basis a[nd it is] hoped help UK compan[ies win] business generated by [the] expanding investment [pro]gramme.

The syndicate of banks for the loans co[nsists of] Bank of Scotland, C[...] Imperial Bank of Co[mmerce], Grindlay Brandts, Lloyd[s Bank] International and Royal [Bank of] Scotland.

● Mr. Toshiwo Doko, p[resident] of Japan's Federation of [Econo]mic Organisations (Kei[danren]) leaves Tokyo on Septe[mber ...] for a week-long visit to [Mexico] at the invitation of Pem[ex. He] is expected to have tal[ks with] Government officials a[nd busi]ness leaders in bilatera[l trade] and economic problems, [includ]ing the possibility of importing Mexican crud[e to] help rectify a trade im[balance] that reached $150m last [year], Keidanren spokesman sa[id].

After visiting Mexi[co, Mr.] Doko will fly to Europe [as head] of a 20-member trade [delega]tion for visits to Denm[ark, the] Netherlands and Norwa[y].

New order f[or] McDermott

By Our Own Correspon[dent]

RIO DE JANEIRO, Se[pt. 11.]

THE McDERMOTT y[ard in] Scotland have won the [contract] to transport the £9.1m platform they are now [building] for Brazil's oil cong[lomerate] Petrobras.

This contract, which [covers] transport, launching a[nd posi]tioning of the 180-me[tre] platform in Petrobr[as' off]shore Namorado field [in the] Campos basin, is worth [...]

Petrobras engineers h[ave] travelled to Inverness to ensure that the pla[tform is] delivered by October [...] revised deadline, after [a] strike at McDermott ea[rlier this] year interrupted buil[ding and] made the original dea[dline of] July this year impossib[le].

Norwegians make wheel[s] for Porsche

By Fay Gjester

OSLO, Se[pt. 11.]

THE NORWEGIAN al[uminium] concern Ardal og Sunn[dal Verk] (ASV) is to produce al[uminium] wheels of a new de[sign for] Porsche cars, under a[n] agreement.

The deal, which [...] extended, provides for companies to conduct research and developm[ent pro]gramme aimed at increa[sing the] use of aluminium in c[ar manu]facture generally. A spokesman said it was [too] early to estimate the lik[ely value] of deliveries under th[e agree]ment.

News of the Porsche-[ASV link] up came after a visit [to a] German car manufactu[rer last] week by a Norwegia[n] delegation representin[g com]panies interested in [supplying] car parts and accessor[ies. As] well as ASV, the [...] munitions and engineeri[ng firm] Raufoss Ammunisjonsf[abrikker] and Kongsberg Vap[enfabrikk] were represented, plus [a] producer and a manufa[cturer of] metal castings. The g[roup] visited Daimler-Benz a[nd] BMW.

Another German ca[r maker], BMW, recently ordere[d] car bumpers from Ra[ufoss for] delivery over a three-ye[ar period.] Raufoss sales of car p[arts this] year are expected [to reach] Nkr105m (£10.5m), Nk[...] on 1977. The compan[y] also supplies car parts [to] Volvo, Audi, Porsche an[d] Leyland, is expanding it[s produc]tion facilities to mee[t] demand.

خلاصة من الأصل

August jump in state borrowing

BY MICHAEL BLANDEN

CENTRAL GOVERNMENT ...wing requirement jumped ...ly last month, but latest ...s for spending and revenue ...st that the rise was due to ...al factors.

...e general level of both ...al Government and public-...r borrowing is still expected ... slightly under or in line ... the Budget forecasts, with ...petition of the substantial ...falls recorded last year.

...e Treasury announced yes-...y that the central Govern-... borrowing requirement in ... first five months of the ...nt financial year, from April ...ugust, was £3.57bn.

...is was an increase of 137 per ... over the £1.51bn recorded in ...ame period last year, com-...l with the Budget forecast ... 79.7 per cent rise for the ... year.

...e higher level of borrowing ...ted from the abrupt rise in ...st, when the central Govern-... borrowed an estimated ...bn. This compared with a ...ment of £19m of debt in ...st last year.

...e turnround is explained by ...mber of influences, includ-...effects of tax cuts on flow ...ome to the Inland Revenue, ... higher borrowing from ...al Government by the ...nalised industries as a ...t of repayment of overseas ... part of the official policy ...-scheduling foreign borrow-...

...e official view is that the ... figures should not be ... as casting doubt on the ...al forecasts for central ...rnment borrowing require-... or current monetary policy.

...e Treasury statistics show ...evenue on the Consolidated ..., through which all Govern-... income and expenditure is ...d, was £3.02bn in August, ...n higher than a year ago.

...thin the total, Inland ...nue receipts for the month ... down by £96m, reflecting ...duction of the lower rate ... the benefit of which reached most pay packets in July.

For the first five months of the fiscal year total revenue was up by 8 per cent compared with the same months of 1977, slightly below the Budget forecast of a rise of 10 per cent over the final outturn for the full year.

Expenditure from the Consolidated Fund also ran slightly ahead of schedule in the five months, with a rise of 18 per cent compared with the same period last year against the 17 per cent forecast for the full year.

Main factor

A main factor in the increase was the high level of sales of gilt-edged securities, which required increased payments of interest.

Together with reduced interest receipts this helped push the amount charged to the Consolidated Fund for service of the National Debt up from £838m in the first five months of last year to £1.52bn this year.

In the National Loans Fund there was a net lending of £295m in August, compared with a repayment of £76m in August last year. This was largely a result of borrowing by the Electricity Council.

In the first five months of the fiscal year net lending at £330m was down by £252m compared with last year.

The figure was affected by borrowing of £227m by the nationalised industries, compared with repayments of £838m last year.

But this was more than offset by a substantial reduction in borrowing by local authorities, down by £589m to £228m; and by a repayment in April by the National Enterprise Board.

It is not clear how far the drop in local authority requirements reflects a switch to private market sources, a vital point for the total public-sector borrowing figure this year.

Over £2bn a year invested in North Sea oil and gas

BY KEVIN DONE, ENERGY CORRESPONDENT

THE NORTH SEA is now claiming more than half of total world expenditure on offshore oil and gas exploration and production.

Dr. Dickson Mabon, Minister of State for Energy, said yesterday that expenditure in the North Sea was now running at more than £2bn a year compared with the estimated world total of about £4bn.

Addressing the World Business Council annual conference in Gleneagles, Dr. Mabon said that over 100,000 people were employed in oil-related work in the UK. More than half those engaged in the offshore industry were based in Scotland.

Dr. Mabon attacked the view held by the Scottish National Party, that oil reserves are being developed too quickly. It was definitely not good business for the UK to be running up massive debts for oil imports, he said.

"Our economy, both in terms of Scotland and of the UK, would not be deriving the current benefit if we had adopted any course other than to press ahead for UK net self-sufficiency in oil and gas as quickly as possible."

By the mid-1980s oil production would contribute about £6bn to the UK's national income, said Dr. Mabon. Government revenues would amount to about £4bn annually and the balance of payments would benefit by about £8bn-£9bn.

The contribution to national income would be equivalent to about 3 per cent of current GNP, or about a year's normal economic growth, he said. (To put the gains in perspective visible exports last year were about £32bn with imports of about the same amount.)

The UK, with production of more than 1m barrels a day, was now 15th in the league table of world oil producers. The success rate for exploration drilling around the UK remained well above the worldwide average of about one in 20 wells.

Exploration, and hopefully production, would be moving to such areas the West coast of Scotland and Rockall in the 1980s, said Dr. Mabon. Technology to develop wells in even deeper waters would be of vital importance in the late 1980s.

"We shall see before long the installation and maintenance of deep water production equipment entirely by unmanned submersibles."

Dr. Mabon said that the Government now had adequate power to control the rate at which UK oil reserves were depleted. "The only sensible depletion policy is a flexible one which avoids closing options prematurely."

Wilkinson Sword cuts its workforce

BY COLLEEN TOOMEY

A DROP in razor blade sales has forced Wilkinson Sword to make 267 workers redundant at its Cramlington, Northumberland factory.

The company, which moved to Cramlington 15 years ago, is also to cut its three-shift system to two and operate a five-day week. The workforce will be cut to 850.

The staff rundown affects employees from two unions—the engineers in the AUEW and the Association of Scientific, Technical and Managerial Staffs.

The company said last night: "We have analysed the position over the next 18 months to two years and can see no easing of the situation. We have found we just can't compete against locally-produced foreign products, particularly in North America, Africa and the Middle East."

Unions have been given 90 days' notice of the redundancies and officials are meeting management today to discuss the situation.

Mobil's tomatoes delayed

BY KEVIN DONE

MOBIL OIL has postponed the start of its £11m tomato growing venture in the Thames estuary because of problems over financing the project.

The scheme, which aims to build 80 acres of glass-houses on land owned by Mobil alongside its refinery at Coryton, has now received the approval of Mobil's main Board.

But the U.S. oil company has not yet succeeded in settling a satisfactory financial arrangement with its partner in the project, Van Heyningen Brothers, one of Britain's leading tomato growers.

Mr. Fred Marshall, Mobil's new business venture manager in the UK, said yesterday that the two companies were still hoping to agree on a 50/50 partnership.

The intention is for the venture to be responsible for most of its own financing. But no bank has yet met the needs of both partners, Mr. Marshall said.

The delay over funding means that the planting season for 1979-80 has been missed.

The project is now being planned in three stages, with 20 acres of glass-houses to be built in two successive years, followed by a final stage of 40 acres.

The earliest the first glass-houses could be built would be 1980.

FT launches weekly magazine in U.S.

THE FINANCIAL TIMES is to start publishing a weekly magazine of international business news for American readers next month.

It is to be called World Business Weekly, and will be based on reports from the Financial Times and its associated publications.

The magazine will cover business and industrial news outside the U.S., and will be aimed at senior executives in multinational or internationally-minded companies.

Its price on news stands will be $2.50 and it will have a subscription rate of $100 a year. It will have a magazine format, but will be printed on the same pinks paper as its parent newspaper.

The editor will be Mr. Joe Rogaly, who will continue his present job as assistant editor and columnist for the Financial Times in London.

Mr. Rogaly said: "For its news coverage, World Business Weekly will draw on the largest network of business correspondents in the world as well as extensive business research facilities."

The magazine will include international company news, new ventures, contracts, research and acquisitions. It will give views on how American business appears to the rest of the world. It will have general articles about particular industries, news about products, world reports on economic and political trends not normally monitored by the U.S. Press. In addition it will include statistics and analyses of 19 stock markets; bond markets; commodities; interest rates and currencies.

The magazine will be assembled in London and completed pages on film will be flown to New York for printing and distribution over the weekend.

Network

Besides the network of Financial Times correspondents, the magazine will employ a full-time staff of about 15. It will aim to achieve a circulation of about 25,000 copies initially.

Mr. Alan Hare, chief executive of the Financial Times and publisher of the magazine, said research had confirmed that the World Business Weekly would fill a gap in the American market. He expected the venture to be profitable by the end of next year.

Mr. Hare said the new publication was intended to be complementary to the service provided by The Economist, which has a circulation of about 20,000 in the U.S. and in which the Financial Times owns 50 per cent of the shares.

He added: "In my view the Economist's position in the U.S. is unassailable. The new magazine is not regarded as an alternative."

The Financial Times has for some time been trying to broaden its international coverage, and next year it intends to start printing in Frankfurt, Germany.

Severn power cable scheme rejected

BY ROY HODSON

...e Central Electricity ...erating Board and the ...onal Coal Board have ...ted a proposal to use a sub-...ne cable under the Severn ...ry to supply South-West ...and with electricity. Both ...s have technical objec-...

... Anthony Wedgwood Benn, ...Energy Secretary, recently ...ed the CEGB permission to ... the growing power prob-... in the South-West by build-...n oil-fired power station at ...ork Point near Plymouth.

...e South Wales miners asked ...Department of Energy to con-... building a new coal-fired ...r station in South Wales ... taking the electricity to ...rset, Devon, and Cornwall, ...nderwater cable.

...e CEGB concluded that such ...stem would make the elec-...y unreasonably expensive. ... the Coal Board and the ...B are agreed that there is ...dy enough power station ...city in South Wales to burn all the coal the South Wales pits can produce.

A new CEGB study of possible sites for a South West coal-fired power station has failed to find a suitable site for the 1300 MW station needed for the 1980s. About 2.5m tonnes of coal a year would have to be shipped to the station, and the need for deep-water access severely limits the number of possible sites.

There appears to be a growing concensus between Mr. Benn and the CEGB that the South West's power problems will have to be solved by new transmission lines systems.

The CEGB is reluctant to reinforce South West electricity by pumping in more power from other regions via transmission lines. It argues that such a system is a one-way flow and therefore unbalanced. But new high-voltage power lines across the three counties to the Plymouth industrial area are seen as the only alternative to a new South West power station.

Racehorses for lease as advertising aids

BY FINANCIAL TIMES REPORTER

...CHEME designed to allow ...panies to maintain and run ...horses for advertising pur-...s out of pre-tax earnings has ... launched by M. N. Russell, ... recently-formed financial ...sory firm.

...e horses will be leased over ...greed period from M. N. ...ell subsidiary companies at ...t rising from £1,430 a month ...a one-year lease) for a horse ... a market value of £10,000, ...4,400 for a horse worth ...00.

...ese costs include training, ...ing fees and insurance and, ...rding to the firm, are per-...ed, out of pre-tax profits, ...ided the horse — which can ...amed after the company or ... of its products — is being ... for bona fide advertising.

...separate subsidiary company ... be set up for each client company in order to isolate risks.

At the end of the lease period the company may buy the horse outright on the basis of the horse's new market valuation, renegotiate the lease, or simply withdraw, leaving it in the hands of the Russell subsidiary.

The launch has been timed to allow the purchase of yearlings at the autumn sales. M. N. Russell does not advise the leasing of a horse worth less than £10,000 as it considers the low chances of success would make it unattractive for the advertisers.

M. N. Russell charges a £40 a month management fee and will receive commission from the bloodstock agents as well as having a direct stake in the value of the bloodstock it owns through its subsidiaries. All prize money goes to the client companies.

Call for S. Africa oil embargo

...TAIN MUST act through the ...ed Nations Security Council ... obtain a mandatory oil ...argo against South Africa, ... Anti-Apartheid Movement ... yesterday.

...e movement has called for ...n by the Government to ...inate the supply of oil to ...desia. Mr. Bob Hughes, the ...ement's chairman, has ...ten to Dr. David Owen, ...ign Secretary, seeking an ...nt meeting.

...e movement said yesterday: ...s not enough for Dr. Owen ... state confidently that no ...ish oil company is now in-...ed in supplying oil to ...desia. The fact is that oil is ... reaching the illegal regime ... it is Britain's responsibility ...top it."

...e Government should seek ... co-operation of Iran, which supplied about 90 per cent of South Africa's oil, in order to implement the embargo against South Africa, it added.

The report of the inquiry into sanctions-breaking by UK oil companies, carried out by Mr. Thomas Bingham QC, is due to be published in the near future.

Norwich office for HMSO

NORWICH yesterday became the headquarters for HM Stationery Office, with a staff of 1,100 many of whom have moved from London over the past 18 months. The move was completed when Mr. Bernard Thimont, the controller, took over at Sovereign House, the new Norwich premises.

HOME NEWS

British Airways will not order Airbus

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A CLEAR indication that British Airways does not intend to order the 200-seat version of the Airbus, the A-310, either now or in the future, is given by Mr. Ross Stainton, deputy chairman and chief executive, in the latest issue of British Airways News.

Commenting on the recent Government approval for British Airways to buy a fleet of 19 Boeing 757 twin-engined jets with Rolls-Royce RB-211-535 engines, Mr. Stainton says this means "we have now taken all the fundamental decisions about the basic types of aircraft that are going to carry us forward into the 21st century.

"We are going to rationalise and simplify our present very varied fleet down to four basic types, all of which have been chosen with an eye not only to economy but to quietness, a point that is now of very great importance."

These are the long-range Boeing 747 Jumbo jet for long hauls, the Lockheed TriStar for high-density short-haul routes and some medium-to-long routes; and the two new Boeing types, the 737 and 757 for short-haul Continental and domestic operations. In addition, there will be for some years the Concorde and the remainder of the Trident and One-Eleven fleet.

While it will take some time to phase out all the other types now in service, on present forecasts "that is the way in which we see our basic operation for, say, the next 25 years," he says.

"For probably the first time that any of us can remember, we are on the way to having a fleet of aircraft that will consist entirely of the types that we have chosen for ourselves, in the numbers that we have chosen for ourselves.

"Of course we shall have to add extra aircraft in due course, and I have no doubt that some of our basic types will grow in one way or another from time to time: there are some very interesting developments on the drawing board already.

"But our strategy is settled, we have chosen a first-class fleet to carry us into the next century, and our task now is to tackle the immediate problems of productivity, punctuality and competitive performance—in other words, of running the airline as efficiently as we can."

Mr. Stainton's comments finally dispel any lingering doubts there may have been on the Continent that British Airways might still be induced to buy the A-310, as part of the "entry fee" the UK must pay to rejoin the European Airbus Industries group to help build the A-310 version of the Airbus.

The French Government in particular has insisted on a British Airways commitment to the A-310, which the U.K. Government has declined to give, preferring to allow the airline the commercial freedom to choose what airliners it wants for its fleet.

The U.K. application to rejoin Airbus Industrie has been given UK Government approval, and the matter is expected to be discussed later this week at the Franco-German summit meeting in Aachen, after which it is hoped that the French Government will withdraw its objections to the UK.

If it does not, however, and British Aerospace, the nationalised aircraft manufacturer, is denied participation on the A-310, it will be a disappointment but not a disaster.

● The need for more countries to join the seven European nations who have agreed to break off aviation relations with all who harbour hijackers was stressed in London yesterday by Mr. Stanley Clinton Davies, Parliamentary Under Secretary for Aviation. He told the Commonwealth Air Transport Council meeting that the few countries still willing to harbour hijackers should think again.

● The best way of getting rid of the "bucket shops" selling air tickets at unauthorised low rates is to increase the number of cheap fares legitimately available on the world airline system, according to the report of the Working Party on Discounted Air Fares, set up some time ago by the Department of Trade to study the growth of ticket sales at rates well below official fares.

Buses battle for £250m London deal

BY LYNTON McLAIN

THE CONTEST to find London Transport's bus of the future began in earnest yesterday when a Leyland Titan, the latest double-decker, entered service in direct competition with the Metrobus from Metropolitan Cammell Weymann.

Victory would mean contracts worth up to £250m.

The £40,000 Titan is the first of 250 ordered from Leyland as part of a £17m re-equipment programme. The plan included an order for 200 new Metrobuses of which 50 have been delivered.

Two prototype Titans have operated for over two years on London Transport's route 24 and other prototypes have run in the West Midlands and South Yorkshire.

Leyland Vehicles invested a total of £6.5m in the Titan. Of this £3.5m was spent on new tooling at the company's Park Royal works in London, and the balance spent over the past four years on development work.

The target for this investment is the UK double-deck bus market with sales of up to 2,500 vehicles each year. The Titan's export potential is being investigated, with Hong Kong, Baghdad and New York as potential customers. Earlier Leyland double-deckers have already been tried on the streets of New York.

But the big prize is London Transport as the replacement cost of the fleet of 6,000 vehicles could reach £250m, a contract that would provide a solid industrial base for export penetration.

Terry Kirk

The first stage of re-equipment will be completed by the end of next year. But London Transport said yesterday that evaluation of the Titan and the Metrobus would lead to one or the other being chosen as the standard bus for the future.

The big replacement programme is now urgently needed as many of London Transport's buses have been operating since the early 1950s.

There is also the growing problem of a shortage of spare parts, which has put up to 300 buses off the road at any one time.

Paradoxically many of the mechanical problems have occured with buses introduced more recently. The older Routemasters and RT buses have been kept on beyond their expected life as they have turned out to be more reliable.

BL to spend £200,000 on apprentice school

BL, formerly British Leyland, is to invest about £200,000 in a new apprentice training school at Llanelli, West Wales.

The school, to be housed in a 26,000 sq ft factory leased from the Welsh Development Agency, is to build up the skilled workforce at BL's two factories in the area—the Llanelli pressings plant and SU Butec Radiators.

BL has already begun to step up recruitment of apprentices. Over 100 have joined this month, bringing the number of young people being trained to 160.

The Llanelli pressings plant employs 1,830 and produces plastic and sheet metal pressings and welded assemblies. The neighbouring SU Butec Radiators plant employs 2,600.

Medica[l] export[s] balance £195m

By David Churchill

A SUBSTANTIAL [...] export of pharmaceut[...] ducts was announced [...] by Mr. David Ennals, [...] and Social Services Se[...]

Mr. Ennals told the British Pharmaceutical conference in Coven[...] pharmaceutical exports first half of 1978 [...] favourable trade bal[...] £195m.

Exports, at £304m, we[...] cent up on first-ha[...] Imports increased by 6 per cent, to £109m.

In 1977 as a whole th[...] able balance of trade w[...]

Mr. Ennals said he [...] the reason for the [...] formance was the quali[...] UK's specialist and pr[...] manpower.

He praised the tho[...] and objectivity of clini[...] and the attractiveness o[...] and regional in[...] incentives.

Mr. Ennals announce[...] to speed a review of s[...] effectiveness of abou[...] drugs and medicines[...] use of Government p[...] ban drugs or groups [...] on safety grounds [...] proposed.

The review covers dr[...] product licences in 19[...] new legislation. Sub[...] new drugs had to be tested.

To speed the process the Government has d[...] eliminate preliminary consultation with manu[...] and pick out for urge[...] products where th[...] grounds to suspect saf[...]

Investment pattern 'must change'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A SUBSTANTIAL shift in the pattern of investment is needed to pull the industrialised world out of recession and back to sustained growth, according to Professor Walt Rostow, the U.S. economic historian, in a book published in London today.

Professor Rostow was formerly national security adviser to President Johnson during the Vietnam war and is now at the University of Texas at Austin.

His new 833-page book attempts to survey the economic development of the world over the past two centuries, challenging what he sees as the obsession with the short-run of both Keynesian and monetarist economists.

Instead, Professor Rostow concentrates on long-term supply side problems and returns to his controversial idea, first developed 20 years ago, about take-off points and the importance of leading sectors in the development of national economies.

He argues that investment must lead the next upswing and be in what he identifies as the leadin gsectors of the next 25 years —d evelopment of new energy sources, improved agricultural technology, improved birth control and pollution control.

Professor Rostow says that new forms of investment could generate income and employment in contrast with the pattern of the 1950s and 1960s when increased real incomes produced higher investment.

He consequently argues that "full recovery in the industrialised world is not likely to come about by a simple expansion in effective demand. . . . Both resumed growth at high levels of employment and balanced growth require enlarged investment in the sectors necessary to maintain industrialised civilisation."

Given the nature of the changes and the fact that the price system will not suffice to bring about the kinds of structural adjustment needed, there will have to be an expansion in the role of public authorities, especially in co-operation with the private sector.

The general thesis involves a rejection of pessimistic conclusions about the prospects since the author believes in the ability of science and technology to find solutions, provided there is substantially increased investment in research and development. In raw materials food and energy, economic rather than resource problems are crucial.

The book also stresses the need for increased co-operation and understanding between the developed and developing nations. Professor Rostow believes that developing countries can grow at rates which promise, in time, to narrow the gap in affluence with developed countries.

He argues that the more immediate problem of the last two years has not merely been inflation but stagnation. "There is a danger not of a great depression like that of 1929-33, but of the advanced industrial nations being caught in a protracted phase of chronically high unemployment and low growth rates."

"The World Economy: History and Prospect." Professor W. W. Rostow. Macmillan Press, £15.

Men and Matters, Page 16

Season gets under way

THE LONDON saleroom season picks up steam this week with Sotheby's Belgravia auction room selling Victorian pictures today, and its main room in Bond Street holding a general auction of run-of-the-mill pictures on Wednesday. Christie's starts next Monday, while Phillips has continued throughout the summer.

Among forthcoming auctions, two of the most interesting will be held at Christie's South Kensington. On October 10, in the evening, the personal wardrobe and costume jewellery—of the couturier, Mlle. Chanel, will be disposed of. The collection includes not only her famous three-piece suits and three-quarter-length coats, with matching skirts and silk blouses, but also the overalls of white pique she wore at work and her silk pyjamas.

SALEROOM

BY ANTONY THORNCROFT

On September 27, Christie's, South Kensington, will sell the Bernard Perrin collection of printed and woven silk cigarette and periodical inserts, comprising over 23,000 items. It was collected over 40 years and is in excellent condition.

Sotheby's has one of its best medal sales on September 27, including a group of medals and orders awarded to Field Marshal Lord William Nicholson. It is rare for a field marshal's medals to come up at auction and even rarer for a field marshal's baton to be available. The last was one belonging to Lord Lucan.

Industry Act scheme brings wool trade improvement

BY RHYS DAVID, TEXTILES CORRESPONDENT

THE FIRST Industry Act aid scheme, introduced in 1973 to help the wool textile trade, is credited with achieving a highly encouraging improvement in the performance of the industry in an assessment published yesterday by the Department of Industry.

The 40-page analysis concludes that the scheme brought about investment of a scale and type which would not otherwise have occurred, and which has been of considerable importance in enabling the industry to move into higher quality products and new overseas markets.

It also claims that the scheme, which was intended to modernise rather than add to capacity, could result in a bottoming-out of the decline in output within the industry over recent years, and place it in a strong position to take advantage of any upturn in market conditions.

The report notes the view of many in the industry that if investment had continued at the low pre-1973 level, much of the sector would have been in jeopardy. However, as a result of the investment stimulated under the scheme a nucleus with an assured future had been created.

Final details of the scheme, the second stage of which ended in December last year, show that about 30 per cent of plants in the industry, accounting for more than 60 per cent of employment, received assistance.

The industry, which employs 78,000 people mostly in West Yorkshire and Scotland, invested only about £42m on plant and machinery in the three years leading up to the scheme but in 1973 the figure reached £22.3m, in 1974 £28.7m, in 1975 £31.9m and in 1976 £25.8m.

About 300 projects were started by the industry, totalling around £70m and attracting grants under the scheme of about £16m.

Exports doubled

The report said that the industry was pre-disposed to invest because of an improvement in cash flow following an upturn in demand in 1972. Many companies had also realised that with the home market declining there would have to be further efforts in export markets where a higher quality product was needed. The scheme, as a result, was fortunate in its timing.

Among companies that participated in the scheme there are some, the report notes, that have managed to double exports as a percentage of turnover. Generally, in woven fabrics, the biggest export product, the industry has been able [...] the decline in its v[...] exports which was tak[...] up to 1975, and in y[...] proportion of output f[...] has risen steadily.

The industry has also [...] as a result of investm[...] crease its productivity [...] felt the potential exist[...] stantial further gai[...] demand around the [...] wool textile products p[...]

Other points which [...] from the report are [...] centration of investmen[...] rather than buildings, [...] failure of the scheme t[...] as had been hoped, any [...] mergers. The problem [...] was a shortage of comp[...] ing to buy rather th[...] bought. A total of 90 [...] took advantage of gra[...] able under the scheme [...] plete closures or closu[...] duction units.

Another important [...] emerge is that nearly [...] investment under the [...] went on buying equipm[...] the Continent becaus[...] lack of suitable machin[...] UK.

The Wool Textile Ind[...] assessment of the e[...] selective assistance u[...] Industry Act 1972. [...] from the DoI.

Steel ready to push for early poll

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE PARLIAMENTARY Liberal Party will do all in its power to force the Prime Minister to call a general election as soon as possible, Mr. David Steel, the Liberal leader, said yesterday in a message to delegates arriving in Southport for the party's annual assembly, which begins today.

"Polling day may have been postponed, but it will not be delayed long," he predicted.

Interviewed on BBC Television last night, however, Mr. Steel took a more subdued line and said the Liberals were "almost bound" to vote against the Government on the Queen's Speech.

But he left the door ajar by adding that he had a "slight reservation" in case there were a lot of "Liberal goodies" in the speech.

If the Government survived the vote the Liberals would decide subsequent cases on their merits. They would oppose the introduction of the so-called "Press Charter" but would for the continuation of sanctions on Rhodesia.

In Southport earlier in the day Mr. Cyril Smith, Liberal MP for Rochdale, claimed that Mr. Steel had told him during a telephone conversation that the Parliamentary Party would "definitely" be voting against the Government on the Queen's Speech.

According to Mr. Smith, the only thing that would dissuade the Liberals from doing so would be a promise from the Government of a referendum on the introduction of proportional representation for parliamentary general elections. As such a promise was highly unlikely to emerge, the party would be voting against the Government.

Mr. Smith had told Mr. Steel that in any event he himself would be voting against the Queen's Speech, whatever the other Liberal MPs decided to do.

He believed, however, that the Government would survive the

LIBERAL PARTY CONFERENCE

Queen's Speech vote and go on until next February, when he saw the possibility that the Tories might force a vote of confidence on the economy.

During that period, said Mr. Smith, the Liberals would not prop up the Government but would vote on its legislative proposals on their merits.

He thought that in coming months. Liberal MPs would be more active touring the country to raise party confidence for the next election than they would be at Westminster.

In his message yesterday, Mr. Steel said Mr. Callaghan's decision to put off the general election would obviously have its effect on the proceedings of the assembly. There was a danger that an air of disappointment might permeate the conference.

"Do not allow your spirits to flag," he told them. "My view on the need for an election has not changed."

He still stood by his earlier demand for an autumn election, in which he warned the Prime Minister that if he did not give the country a chance to go to the polls, then the Liberals in Parliament would do all they could to force him to seek a new mandate.

As conference preparations got under way, the controversy continued over the decision by Mr. Jeremy Thorpe, the former Liberal leader, who has a murder conspiracy case pending against him, to attend. There were signs, however, that opinion was beginning to swing in his favour, and Mr. Terry Thomas, Pontypridd candidate, has resigned from the party in protest at the leadership treatment of him.

In last night's broadcast Mr. Steel said Mr. Thorpe remained his friend but he refused to enter into a public discussion of whether the former Liberal leader should attend the conference or why he had been asked to stand down as Liberal spokesman on foreign affairs.

Mr. Smith said yesterday that he was against Mr. Thorpe's attending, but would not refuse to sit on the platform with him if he did. Many delegates arriving felt that Mr. Thorpe had every right to be there.

Smith slams Labour record on jobless

BY JOHN HUNT,

A BITTER attack on the Government record on unemployment was made in Southport yesterday by Mr. Cyril Smith, Liberal MP for Rochdale and the party's former spokesman on employment.

"If this Government thinks it is going to defend its record in this field, then it can get stuffed," he told delegates who were debating unemployment in one of the pre-conference commission sessions.

"The fact is that 1.6m people unemployed is the record of the Labour Government, and that is unacceptable to the Liberal Party this this country. To put it bluntly, it's a damned disgrace."

MR. CYRIL SMITH
'... a damned disgrace'

'Crumbs from table'

He called on Liberal workers to bring home to the electorate the record of the Labour Government on unemployment and to pass a strong resolution to that effect during the assembly.

Attacking the Lib-Lab pact, Mr. Smith said: "We have not been participating in government over the past 18 months. All we have been getting is the crumbs from the table."

A delegate, Mr. Ian Stuart, former chairman of the Transport and General Workers' Union shop stewards at London's Heathrow airport, supported the TUC call for a reduction in the working week as a means of reducing unemployment. This was both "desirable and necessary," he said.

Mr. John Madeley, prospective parliamentary candidate for Petersfield, thought the best method of boosting employment would be to halve the 90m hours overtime which he estimated were being worked each week.

Poll shows Tories 5% ahead at time of election decision

BY RICHARD EVANS, LOBBY EDITOR

THE FIRST opinion poll published since the Prime Minister announced his decision last Thursday to postpone a general election shows that Labour is well behind the Conservatives and would probably have lost power.

A National Opinion Poll in the Daily Mail yesterday gives the Tories a 5 per cent lead over Labour which would be easily enough to give Mrs. Thatcher an overall majority in the House of Commons.

Equally ominously for Labour, the poll, taken from a quota of 1,044 electors throughout the country last Wednesday and Thursday, shows that the Liberals continue to rate badly and their disaffected supporters are more inclined to move to the Conservatives than to Labour.

The findings appear to vindicate Mr. Callaghan's controversial decision not to hold an autumn election, which took by surprise all but his closest Cabinet colleagues. What remains to be seen is whether Labour will be in a better position to fight a campaign next year.

According to NOP, the Conservatives now hold 47 per cent of the vote compared with 46 per cent in June. Labour now has 42 per cent and the Liberals 8 per cent, both the same as in June. The figures show that contrary to normal practice, the Government has not benefited from the long summer recess. This appears to be the major factor that persuaded Mr. Callaghan against an early poll.

But an important factor still in the Premier's favour is his lead in personal popularity over Mrs. Thatcher. Mr. Callaghan satisfies 50 per cent of the electorate with the way he is doing his job, while 40 per cent are dissatisfied. Mrs. Thatcher has the backing of only 40 per cent, compared with 46 per cent, who do not think she is doing a good job.

Ray Perman, Scottish Correspondent writes: Political parties in Scotland are looking to an early by-election in Berwick and East Lothian to test the findings of an opinion poll which shows Labour 28 per cent ahead of the Conservatives north of the border.

The poll, published in the Glasgow Herald yesterday was carried out before Mr. Callaghan's broadcast last Thursday. It gives Labour 52 per cent, compared to 48 per cent last month, the Conservatives 24 per cent (30 per cent), the SNP 18 per cent (18 per cent), the Liberals 3 per cent (4 per cent) and the Scottish Labour Party 3 per cent (0.5 per cent.).

The figures exclude 18 per cent who did not know how they would vote. They confirm a long-term trend in Scotland which shows the Labour Party doing increasingly well at the expense of both its main rivals.

Berwick has been vacant since the death of the sitting Labour member, Professor John Mackintosh, last month. It is highly marginal, with a 2,740 majority, and will give a guide as to how Liberal and Scottish National Party votes are standing up.

All four main parties are putting a major effort into the campaign and they expect the election to be held soon. A writ could be moved before Parliament reassembles in November by an announcement in the London Gazette.

BRITAIN'S POLITICS 'ON THE CHEAP'

Party finances will be hit by an array of elections

BY RUPERT CORNWELL

BRITAIN gets its politics on the cheap. Less money is spent on the political process here—from the pay and facilities of MPs to the funding of parties—than in almost any other comparable democracy.

The way in which the main political parties obtain their financial support caused a row this summer. Another one will doubtlessly build up as soon as the General Election, so surprisingly postponed by the Prime Minister, last week, seems close.

Yet amid all this hullabaloo the main parties could be facing a year of great financial and organisational strain.

The row over finances which rumbled on through the summer centred on the Saatchi and Saatchi advertising agency.

But it is as natural for Conservatives to be upset over trade union bosses press-ganging their reluctant troops into giving money and votes to Labour, as it is for Transport House to accuse capitalist industry of pouring millions into the Central Office.

Financially, things will be anything but easy for the political parties in 1979. Assuming the Government avoids disaster on the key Commons vote before Christmas, the division on the Queen's Speech setting out the next session's legislative programme — and the odds must currently be that it will—the party machines have an unprecedented array of elections to cope with. Apart from the general election, which cannot be delayed beyond October or November 1979, they have to reckon with the devolution referenda, possibly next February or March, local elections, and the first direct elections to the European Assembly (for which the firm date of June 7, 1979 has been given in a Home Office White Paper). There may also be polling for the first Edinburgh and Cardiff Assemblies, assuming the referenda give the go-ahead. The timetable may be in doubt, but the cumulative burden cannot be.

The financing of campaigns—at least for Parliamentary elections—falls into two theoretically distinct sections, first, there are funds raised and spent by the parties themselves (who are not recognised under electoral law) which are not subject to any limit, and where the row over union and company aid arises. Second, there are the expenses of individual candidates which are tightly controlled. Trouble comes when the two overlap, particularly when para-political bodies, closely identified with one side, lend a hand.

On paper constituency spending is simple. Under the amended Representation of the People Act, 1978, each candidate may spend for a county seat £1,750 plus 2p per registered elector, and £1,750 plus 1½p for every voter in a borough seat. Assuming an average constituency to have 65,000 voters, this means a permitted maximum of about £3,000 in sprawling rural areas, and about £2,725 in compact urban seats.

Ruinous

It is national expenditure that presents the real problem. This is aggravated by the habit of leading politicians of trying to score points by making an outrageous estimate of their opponents' outlays. The truth which tends to be somewhere in the middle, emerges only later with the publication of the parties' annual accounts.

The double election year of 1974 was ruinous for them all, even the Tories whose resources are by far the greatest. Injury piled on injury as two election defeats were followed by a Central Office deficit of £1.3m.

Since then the picture has brightened. By 1977, the last year for which Tory accounts exist, the deficit had shrunk to £83,000. Central income and expenditure each topped £2m, the former helped by an inflow of £1.3m "donations," the coy label adopted to cover corporate contributions among others. But a further £600,000 came in from the constituency parties, which also raised and spent more than £4m locally. It is those "donations" which irritate Labour, especially when an election is near.

Mr. Ron Hayward, Labour's general secretary, has used a claim by the Tory deputy chairman, Mr. Angus Maude, that industry provided only 15 per cent of total party income to deduce ingeniously that the Conservatives' campaign chest for the October 1978 poll that never was would have been between £12m and £15m.

The true figure, including sums from British United Industrialists, a specialist fund-raising organisation, might be about £9m raised centrally and locally—but until the accounts are published that must remain a guess.

Even, so, this is a lot more than Labour can ever hope for. Ordinary income at Transport House last year was £1.43m, while the general election fund, "totally inadequate to finance a campaign," says the 1978 party report, stands at £337,000. Not surprisingly, Mr. Hayward was passing the hat round among the unions at Brighton last week. He wanted an extra £1m (more than Labour's spending in each 1974 election) and to judge by the anti-Tory tirades by TUC leaders, the unions will again do their duty.

Left with the worst of both worlds, without obvious backing from a particular segment of society, are the Liberals, whose latest accounts show a £48,000 deficit. Once again the party will be relying on local enthusiasts, quirky wealthy benefactors, and vigorous appeals. Small wonder that Mr. David Steel, the Liberal leader, in August called for an end to the system of corporate and union funding of his two major rivals, and their replacement by a scheme of limited tax relief on individual contributions to parties, as in the U.S.

It is equally natural that both Liberals and Labour have given broad backing to the Houghton proposals of state aid for political parties, amounting to subsidies of £2¼m at national and local level. But it is a measure of the resistance to change in Britain's political process that, two years after their publication, Lord Houghton's suggestions have never been debated at Westminster. The Tories understandably are loth to jeopardise the advantage they gain from the colossal efforts of their constituency workers.

Situation improving, says Ulsterman

THE SITUATION IN Northern Ireland has now started to improve fairly dramatically, Mr. Jeremy Burchill, chairman of the Ulster Young Unionist Council, told the commission meeting to discuss the party's policy on Northern Ireland.

In particular, he said, there had been a significant improvement in the security situation. He thought the measures taken by Mr. Roy Mason, the Northern Ireland Secretary, had been more appropriate than those of some of his predecessors.

In Mr. Burchill's opinion, the union with Great Britain was now more secure than at any time since the present trouble started. No major group was now advocating the expulsion of the people of the province from the UK.

Increased certainty and confidence had contributed to a reduction in the level of terrorist activity. It was now widely recognised, he said, that a devolved form of government for Ulster was not just around the corner. It would be necessary to progress by stages to a full democratic structure again.

LABOUR NEWS

British Oxygen pay claim may be 20%

BY NICK GARNETT, LABOUR STAFF

NEGOTIATORS FOR 3,000 manual workers at British Oxygen's gases divison who last year mounted the first significant onslaught on Phase Three, yesterday submitted a claim for substantial rises on the basic wage and improved shift payments.

The claim, which includes a 35-hour week, has no specific wage target although shop stewards are thought to be aiming for rises of about 20 per cent. It was agreed yesterday at a national meeting of Transport and General Workers Union shop stewards before talks with the company later in the day.

Last year, the same group of workers submitted a claim for about 30 per cent and, after a four-week strike, obtained increases ranging to over 20 per cent, including a large productivity element.

Securicor demand

The deal was passed by the Department of Employment as being within guidelines although the union claimed that working practices were not significantly altered.

The company estimated that the strike led to more than 30,000 lay-offs throughout industry which was starved of industrial gases. Shipbuilding, together with glass, textiles and general engineering took the brunt of the effects.

At the same time, a claim for 14,000 workers at Securicor, which the company is understood to have costed out at about 75 per cent, has been submitted by MATSA, the white-collar section of the General and Municipal Workers' Union.

The claim is believed to include an element of 6½ per cent which the union considers to be a firm forward commitment from last year's settlement and which, on its own, appears to breach the Phase Four guideline.

That "forward commitment" includes improved overtime rates and a general reduction in the basic working week to 40 hours, above which overtime at time-and-a-half and double-time would be paid. Contractural arrangements to work longer hours would still be met.

Settlement of the claim, which also affects about 8,000 part-time Securicor personnel, is likely to set the pace for the 30,000 full-time staff in the unionised section of the security industry. It will also have repercussions for smaller non-unionised security firms.

The overall claim, which includes a new minimum of £60 and a 35-hour week, has been designed to bring security guards and other staff up to what the union believes is an average industrial rate.

Warehousemen return to work

MORE THAN 2,000 warehousemen employed at 20 United Carriers' depots in Britain returned to work yesterday after an agreement had been reached over non-union labour.

Last week 150 warehousemen employed at depots in Northamptonshire went on strike after seven colleagues had been suspended for refusing to work alongside non-union labour. The seven, who are members of the Transport and General Workers' Union, have now been reinstated.

Morganite takes new factory

MORGANITE CERAMIC Fibres is to occupy a 10,000 sq ft advance factory at Bromborough, in the Mersey special development area. The expansion is expected to create 40 to 50 jobs.

Chrysler toolmakers threaten walk-out after talks failure

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

TOOLMAKERS AT Chrysler UK's Coventry plants are threatening renewed industrial action following the breakdown of talks with management about a self-financing productivity deal.

Mr. Terry Duffy, president-elect of the Amalgamated Union of Engineering Workers, met the toolmakers' leaders in Birmingham yesterday in an attempt to prevent another walk-out. Mr. Phil Povey, the regional officer handling the dispute, said the men had agreed to stay at work pending a national conference scheduled for Friday. The toolmakers are demanding improved differentials.

A strike in July this year by the 250 toolmakers halted all Chrysler car assembly in the Midlands and caused widespread lay-offs.

The men agreed to return to work in return for negotiations towards a self-financing productivity deal. That formula was devised after the toolmakers, supported by Mr. Duffy, had put their case to Mr. Harold Walker of the Department of Employment, and Mr. Alan Williams of the Department of Industry.

Mr. Williams made it clear that no exception to the Government's pay guidelines could be made for the Chrysler men. Mr. Walker suggested a productivity deal.

Chrysler management is in the difficult position whereby any concession made to the toolmakers could lead to a flood of counter-claims from other workers.

The situation is complicated by the fact that Chrysler introduced a self-financing incentive scheme earlier this year on a company-wide basis, refusing to negotiate separate deals with individual plants. The 1,500-strong work force at the Ryton assembly plant which rejected the deal, has already informed the company that it will expect similar treatment to the tool makers.

At the Stoke engine plant there is a tradition of rivalry between groups of workers and the granting of staff status to toolmakers in 1972 triggered off a series of disputes.

Manual workers at Stoke will watch developments with interest. Agreement was reached in 1974, following similar unrest, that there should be a simple differential of £1 a week on the basic wage between skilled and unskilled workers. Concessions to the toolmakers would clearly overturn that understanding.

Talks open on pay-off for Shelton steel men

DETAILED TALKS began yesterday about severance and redundancy pay for 1,600 workers at the Shelton Iron and Steel Works, Stoke-on-Trent.

British Steel Corporation officials met six members of the TUC Steel Committee and 10 from the Shelton action committee.

Details of the men's claim are being kept secret, and the talks are private, but union leaders hope to secure a record deal.

Any agreement will be put to a meeting of the work force before being ratified.

Iron- and steel-making ended at the plant in June. A plan to instal an electric arc furnace has been deferred.

One section of the Shelton workers, the 270 blastfurnacemen, have already accepted a redundancy deal.

Jail lock-out

PROBATION OFFICERS and other social workers found themselves locked out of Preston prison yesterday when prison officers imposed sanctions as part of a campaign for back pay on a breakfast allowance.

Exercise time was also shortened and no new prisoners are being admitted.

White-collar pa[y] clash threatens gas supplies

BY OUR LABOUR STAFF

THE WHITE-COLLAR section of the General and Municipal Workers Union warned yesterday that gas supply could soon be affected by a dispute in the north-western division of British Gas.

So far routine work in Manchester and south Lancashire, including repairs and equipment installation, has been seriously delayed but the division is operating emergency services.

The General and Municipal's staff section said the position was likely to worsen this week and up to 3,000 workers were likely to be affected.

The dispute, which was made official at the weekend, originally involved 17 service supervisors who, the union says, refused to co-operate in a new duty, relating to equipment installation.

The local gas board then withdrew a £7 a week productivity payment for the men. The union instructed the men not to co-operate with any of the new working practices attach[ed to] the productivity deal. The [super]visors were suspended w[ithout] pay for alleged breach o[f con]tract and about 120 othe[rs] came out on strike.

About 1,200 members o[f] the staff and manual secti[ons of] the General and Mu[nicipal] Workers are now eithe[r on] strike or are refusing to [cross] picket lines.

Non-clerical workers re[fusing] to work because of the c[...] include fitters and servi[ce en]gineers. The union sai[d the] dispute was showing si[gns of] spreading into Merseysid[e and] that pickets were being org[anised] at gas installations invol[ving] direct supply to consumer[s].

Mr. Maurice Reed, n[...] staff officer, said all Gener[al and] Municipal members were [refus]ing to cross picket lin[es] members of the Nation[al and] Local Government ([Officers]) Association had been w[orking] normally.

Social work review may defuse action

BY PAULINE CLARK, LABOUR STAFF

PROPOSALS FOR a joint review of social workers' pay and responsibilities are being put to union leaders this week amid threats of industrial action in two or more London boroughs' welfare departments.

After giving official backing to a strike by social workers in Tower Hamlets and Southwark at the beginning of this month an emergency committee meeting of the National and Local Government Officers Association is likely to decide tomorrow whether to support plans for similar action in Brent and Lewisham.

But at the same time the employers are clearly hoping to defuse the situation by demonstrating their acceptance of the need to take another look at rewards for social workers.

So far, the union side has rejected any proposals for a solution to the dispute that did not meet its demand for local pay bargaining. With the employers still insistent that national bargaining should be preserved, it is uncertain whether NALGO will agree to participate in the review.

Nevertheless, the review would be likely to tackle one [of the] central issues in the dispu[te ...] social workers clai[m] improved rewards in rela[tion to] increased responsibilities.

Tower Hamlets strike[rs said] yesterday that, coupled [with] general expansion in soci[al ...] over the past seven o[r ...] years, recent legislation [...] of children, the homeless [and] chronically disabled, had broadened their responsi[bilities].

Implementation of some [...] recommendations of the S[...] report on the social servi[ces had] given them the work fo[rmerly] carried out by three depa[rtments] — welfare, mental heal[th and] children. In addition, [social] workers had now taken on juvenile court work from [proba]tion officers.

Grimsby Do[cks] at standstill

GRIMSBY and Imm[ingham] Docks came to a standst[ill yes]terday while 700 dockers [held a] mass meeting to discuss a [...] cent pay claim.

HOME NEWS

Miners' pension fu[nd] to buy shops centr[e]

BY CHRISTINE MOIR

THE NATIONAL Coal Board pension fund is about to complete the purchase of a 120,000-square-foot shopping centre in North Shields, Tyne and Wear.

The price is expected to be about £6m, giving the developers, James Miller, a Scottish construction group, about £1m profit and the miners' pension fund a return of 9 per cent.

The shopping centre, now almost completely let, contains two supermarkets plus a number of standard units. About 90 per cent of these units are let to national multiple retail chains such as the British Shoe Corporation, John Collier and Rediffusion. The total rent roll is believed to be about £500,000.

The local authority will retain the freehold and the pension fund has a 125-year lease.

Mr. Hugh Jenkins, investment manager of the pension fund, said yesterday that the scheme has proved to be a good investment, giving the fund "an above-average return."

In 1968 the fund wrote to all the mining areas having a scope for property development, pointing out that the fund was interested in investing in these areas. North Shields was among the towns pinpointed.

It was not until 1976 that the fund was presented with a proposition for a £12m scheme involving a 50-bed hotel, a tower block of offices, plus flats and other ancilliaries.

The fund turned it dow[n. It] thought the scheme w[as too] ambitious for the town. [It was] also dubious about the fi[nancial] strength of the promoters, Ted Nancarrow and his co[mpany] Project Management Cons[...]. The scheme was also i[nd]ependently turned down by agents Healey and Baker.

Later the managemen[t com]mittee of the pension fu[nd, of] which Mr. Joe Gorm[ley is] deputy chairman, again ra[ised the] question of the fund's [invest]ment in a North Shields [...]. It was told that the de[velopment was] regarded as being i[nappro]priately large for the tow[n].

The pension fund th[en took] another look at the sche[me but] continued to reject it.

By the middle of th[e year,] however, Mr. Nancarrow h[ad sold] his equity in the project to the Scottish construction [group].

At that point the fund might be interested in [...] a much smaller scheme [in the] town on stringent conditi[ons].

It wanted Miller to put [up the] first £2m of a £5m sh[opping] centre designed to the [fund's] specifications, and the [fund] would then offer to bu[y] the scheme on a 9 per cen[t return] to itself when the proje[ct was] more than half let.

So far the fund has not [put] in "one penny of fundin[g," Mr.] Jenkins said. It is now a[bout to] implement its purchase because the shopping ce[ntre is] virtually fully let.

Newcastle to seek more engineering

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

NEWCASTLE-UPON-TYNE is to follow up its spring campaign seeking to attract industry into the city by concentrating much of its drive this autumn on the engineering industry.

A report just presented to the council identified three particular areas of potential growth for the North of England—chemicals, electrical engineering and mechanical engineering.

In view of the city's traditional strength in engineering it is to concentrate much of its attention on the two engineering sectors.

More than 200 companies expressed interest in Newcastle as a base following the drive launched last April, which sought to attract in 2,500 jobs over the next three years.

Areas where the city has particular expertise which [could be] used to draw new investm[ent are] considered to be const[ruction] and earth-moving equ[ipment,] industrial engines and in[dustrial] fork-lift trucks. It is [felt] that pumps and mining [machi]nery are other fields wit[h] potential.

But the city believes th[at if it] is to hit its target the[n] production facilities will [have to] be set up in broadcast re[ceiving] equipment, computers, machinery and electrical [compo]nents.

Newcastle is not special[ised in] these at the moment, but [it has] a sound economic base i[f] some production facilities or more of them as th[e] sectors with the best lo[ng-term] growth prospects.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● NORTH SEA OIL

Handling a tough repair operation

UNIQUE underwater repair work on an offshore oil production platform in the North Sea has recently been completed.

National Engineering Laboratory became involved when it was asked to carry out measurements of damage to the platform leg which had occurred during piling operations. A hole—around 1 metre diameter—was punched in the platform leg by a 1.5 metre diameter pile which was accidentally dropped during installation operations.

In order to meet the specifications required to obtain full certification of the platform from Lloyd's, the repair patches covering an area of 5 x 2 metres had to coincide with the "as built" surface to within plus or minus 2 mm.

Since the damage had occurred at a depth of 100 metres it was decided that the only technique capable of achieving this accuracy would be photogrammetry. This method has been used extensively in terrestrial survey work and occasionally in engineering topographical studies.

This, however, was to the best of the Laboratory's knowledge *the first occasion on which it was* used for an underwater survey in the North Sea. Using a pair of underwater cameras mounted in a specially constructed cradle, a series of stereo photographs were taken of the damaged area. Modified stereo analysis techniques enabled a mathematical representation of the damaged area to be constructed. From this a series of templet curves were obtained thus enabling the repair patches to be made to the desired accuracy.

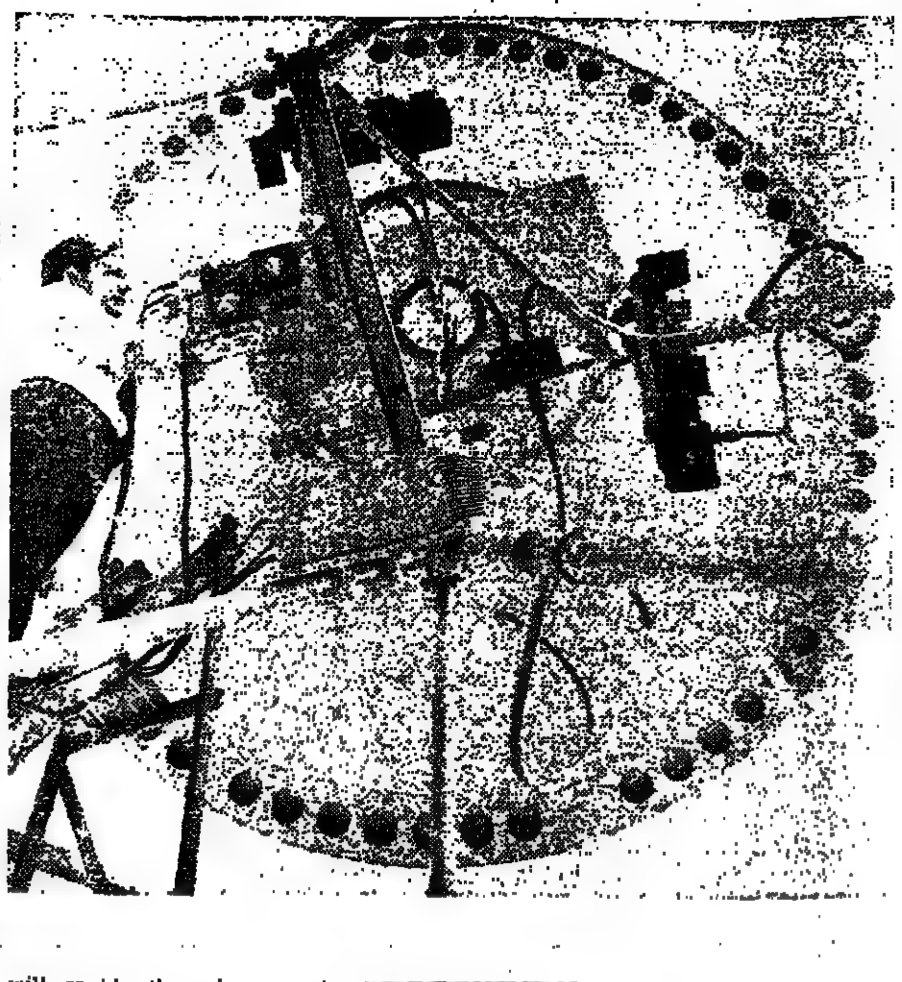
Before such a survey could be carried out it was necessary to evaluate and calibrate the cameras used. This was done by the optical and applied photographic sections of NEL, as was the co-ordination and planning of the complete project. The data obtained by stereo analysis (which was carried out for NEL under contract) was processed by the system software division of NEL before being passed to the company which produced the repair patches.

It is expected that due to the severe conditions present in offshore work the amount of structural in situ repairs which will be required in the next decade will increase dramatically. Where high accuracies are required, the results obtained in the project described suggest that photogrammetry promises to be a most acceptable technique.

National Engineering Laboratory, East Kilbride, Glasgow.

● RADIO & TV

Pictures beamed from a satellite



Ferranti engineers have completed live testing of a new and low cost professional receive-only ground station operating at 11 Gigahertz. A rear view of the antenna is shown here with its low noise down-converter and associated power supply. The tests marked the first time in Europe that a small ground station had received live pictures via the Orbital Test Satellite (OTS).

With the co-operation of the European Space Agency, working with the Post Office, quality pictures in full colour, with sound, were received from RAI Television in Italy, using the new equipment at the Ferranti Electronics microwave division establishment at Poynton, Cheshire. The Italian programme was transmitted from the Telespazio 17 metre diameter station at Fucino and relayed via OTS to the Ferranti centre.

The new equipment is the result of a joint venture between the company and the Department of Industry.

Smaller, lighter and cheaper than its competitors, the unit has been designed for simple maintenance and assembly and in more powerful versions could be used to solve many problems encountered by countries that do not have established TV networks or whose population is very scattered, living in rough terrain. With this in mind, it is intended to power the terminal with silicon solar cells.

Overseas orders have already been received for this equipment and others are known to be in the pipeline.

Ferranti Electronics, Microwave House, 1st Avenue, Poynton Industrial Estate, Stockport SK12 1NE. 09967 71611.

● MATERIALS

Speeds up the roof repairs

RUBERTORCH describes a new type of built-up roofing membrane which incorporates its own factory-applied bonding coat of soft bitumen on the underside.

This greatly simplifies and speeds fixing. The bonding coat is merely further softened on site with a blow lamp and the membrane firmly pressed into position, thus eliminating the need for fixing by the traditional roll and pour method with hot bitumen compound.

Used only as the cap sheet, or top layer, of existing bituminous built-up roofing systems, it has been developed primarily for repair work where fixing by hot applied bitumen and attendant boiler is impracticable or inconvenient. It is particularly suitable for large projects such as single-layer re-covering of factory roofs as well as small roofs of porches, kiosks, garages, bay windows and the replacement of flashings, upstands and gutters.

Rubertorch is a hessian-reinforced bitumen roofing in 8 metre by 1 metre rolls in plain and green mineral surfaced finishes. It has good low temperature flexibility, tested at minus 10 degrees C. and can be laid at all normal working temperatures. Slump resistance is excellent and, subject to the reasonable application of blow lamp heat, the membrane will retain its form without undue softening while bonding is in progress.

Ruberoid, 1 New Oxford Street, London WC1A 1PE. 01-405 0815.

● METALWORKING

Lathes from Spain

FROM SPAIN comes a range of Gurutzpe centre lathes (made by Guztiok Bat SA) to be marketed in this country by Machine Tools Agencies (1972), Wedgnock Industrial Estate, Rothwell Road, Warwick (0926 46361).

The company says that users will have a particularly large choice of centre heights, spindle bore sizes and between centre capacities.

There are ten centre heights available—300 to 800mm with bed lengths from 1000mm to 12,000mm. Spindle bores start at 72mm diameter and go up to 360mm diameter for the special "oil country" lathe versions.

Broadly speaking, the range comprises three basic models. The smallest is the Super-M, and the other two are called the Super-AT and Super-BT.

● SOFTWARE

Power for Series/1

PROGRAM DESIGNED to distribute text, messages or documents over telephone lines and to improve the storage capacity and accessibility of textual information has been introduced by the General Business Group of IBM United Kingdom.

IBM Text Routing System (TRS) is written for the IBM Series/1. The program permits the full range of Office System 6 information processors, the 6640 document printer and the MC82 and 6240 magnetic card typewriters to interface with the Series/1.

TRS enhances the existing workstation storage capability of diskettes or magnetic cards by using the Series/1 computer's 9.3 Megabyte disk store, equivalent to 4,000 pages of text. This offers the operator of each workstation attached by a communications link to the Series/1 the ability to put conveniently into store large volumes of information. This store of information can be private to an individual workstation or shared by a number or all of the workstations connected to the system.

Information which is urgently required in another office or location can be communicated to the Series/1 by a workstation operator. If the information has to be sent to several locations the sending operator can specify the addressees either by typing a few simple destination codes or by specifying one from stored distribution lists contained within the program.

Messages can be converted to telex code for output to a paper tape punch. This means that organisations can utilise their IBM word processing equipment to produce telex messages quickly and efficiently; pre-recorded material can be sent without re-keying; delays in distribution to the Telex operators are reduced, and the messages, having been checked for accuracy before sending to the Series/1, do not normally require re-checking.

IBM, 101, Wigmore Street, London W1H 0AB. 01-935 6600.

Real time by micro

SPL INTERNATIONAL has announced the development of RTL/2 for microcomputers. The entire development costs of this addition to the microcomputer market have been borne by SPL from internal resources. RTL/2 is the only European language which is standard and remains completely unchanged across the entire spectrum of supporting computers, and all RTL/2 compilers conform exactly to the BSI Standard for the language now under preparation.

This important development will enable the microcomputer user to implement his software at minimal cost. The language remains the same irrespective of machine. This portability is a major advantage and users will be able to cross-compile from any one of the 12 computer ranges currently supporting RTL/2.

SPL considers there is an immediate need for a standard portable language to be made widely available, thus giving OEM's the opportunity to switch microprocessor supplier as dictated by economic considerations. This logical extension of RTL/2 further enhances the already widely accepted merits of the language.

SPL, 12, Windmill Street, London, W1P 1HF. 01-636 7833.

● COMPUTERS

Two more from Itel

ITEL INTERNATIONAL has added to its Advanced System range of processors the AS/3 Model 4 and AS/4 Model R as direct market replacements for IBM 370/148 systems.

In common with all members of the Advanced System family, these new processors are functionally compatible with IBM software, have a 115 nanosecond processor cycle time and one Megabyte of main memory as standard. This can be upgraded in the field to four Megabytes in one Megabyte increments.

Performance of the AS/3 Model 4 is rated equal to the IBM 370/148; that of the AS/4 Model R is rated at 1.4 times this level.

Main memory of both processors utilises 16K chips, resulting in about 60 per cent fewer components. Also, the same diagnostics used with the AS/5 are available, allowing for chip fault isolation and replacement in the field.

Itel, Bowater House, 68 Knightsbridge, London SW1X 7LN.

● SECURITY

Draws in the mail

AN IRRESISTIBLE invitation to burglars is the give-away sign of letters and newspapers protruding from letter-boxes. This is a blatant advertisement for the occupants' absence.

Careless newspaper delivery boys are the main offenders, yet experienced and conscientious postmen are reluctant to push their fingers through a letter-box aperture behind which the GPO's traditional *bête noire*, the family dog, is patiently waiting to make his canine communication. (Last year, 139 postmen were bitten by dogs while inserting their hands through delivery letter boxes.)

Now comes a security unit to pacify the postman, deter villains and vandals, and keep newspapers and mail dry. It promises a bonus, too, by eliminating cold draughts caused by half-open letter-boxes.

The device is called Rolapost and will fit virtually all horizontal letter boxes. It has two rollers which draw in the mail as it is inserted in the letter box. The rollers are activated by 4 HP7 penlight batteries, but should the batteries die, manual thrust will get the letters through.

The mail-slot needed is 10 x 1¼ inches and the internal unit measures 15½ x 5¾ x 2 inches. An anodized aluminium external flap and screws for fitting the complete unit are supplied.

● HANDLING

Will take hard knocks

EVEN IF dropped 16 feet on to a concrete floor or subjected to a six-mile an hour crash with a 30-cwt fork lift truck and sandwiched against a wall, a Claretainer roll pallet will remain undamaged, claims its maker.

A further test, when the fork lift crash was repeated at minus 20 degrees C, failed to damage the pallet, adds the company.

The base is a one-piece polypropylene moulding, flush on top and deeply cellular underneath, capable of carrying up to 15 cwt.

It is totally resistant to oils and fats, non-slip, non-absorbent, rot-proof, steam cleanable and will not degrade in sunlight or ultra-violet light.

Specially-moulded grooves in the base fit the side frames when pallet bases are stacked, to a maximum seven high, to give complete stability to the stack.

More from WCB-Clares, Wells, Somerset.

NOTICE OF REDEMPTION

MONTAGU TRUST LIMITED

9¼% Bonds Due October 15, 1985

NOTICE IS HEREBY GIVEN, that pursuant to the provisions of the Fiscal Agency Agreement dated as of October 8, 1970, with respect to the bonds of the aforesaid issue, European American Bank & Trust Company, as Fiscal Agent, has selected by lot for redemption on October 15, 1978 at 100% of the principal amount thereof, $750,000 principal amount of said bonds bearing the following numbers:

$1,000 Coupon Bonds Bearing the Prefix Letter M

5	638	1809	2616	3521	4212	4999	5849	8991	10191	10918	11413	11756	12040	12378	12968	13828
11	689	1824	2635	3539	4221	5017	5850	9023	10204	10938	11421	11759	12056	12380	12972	13898
22	727	1830	2639	3541	4242	5037	5861	9038	10213	10956	11429	11764	12058	12381	12973	14110
23	740	1856	2667	3558	4254	5039	5894	9072	10225	10968	11436	11769	12064	12389	12984	14164
24	774	1868	2711	3572	4267	5040	5911	9086	10252	10981	11451	11774	12073	12400	12985	14165
77	786	1883	2735	3618	4286	5062	5925	9118	10253	10991	11458	11777	12081	12405	13017	14179
90	812	1915	2762	3619	4300	5068	5943	9163	10255	11006	11464	11778	12088	12413	13021	14185
120	838	1928	2779	3644	4313	5092	5982	9213	10256	11014	11466	11779	12104	12419	13032	14192
122	845	1948	2813	3666	4325	5105	5989	9322	10257	11025	11481	11790	12111	12426	13050	14198
123	857	1960	2872	3697	4339	5111	6363	9368	10280	11034	11498	11791	12112	12427	13059	14330
134	875	1976	2889	3711	4363	5119	6398	9453	10311	11035	11503	11804	12129	12470	13066	14365
145	924	1989	2911	3712	4364	5121	6399	9490	10319	11062	11516	11809	12136	12481	13266	14431
149	943	1993	2936	3755	4365	5122	6471	9518	10337	11069	11517	11814	12149	12508	13269	14459
155	979	1994	2958	3764	4415	5123	6492	9576	10341	11085	11524	11819	12153	12512	13270	14481
160	988	1996	2969	3780	4417	5176	6515	9581	10353	11093	11541	11821	12160	12518	13277	14482
169	1035	2021	2970	3782	4426	5192	6549	9698	10365	11114	11552	11822	12164	12523	13284	14554
180	1059	2030	3000	3807	4457	5214	6612	9726	10389	11122	11566	11829	12165	12524	13293	14603
181	1082	2040	3032	3816	4472	5230	6641	9727	10390	11137	11572	11837	12180	12536	13308	14617
205	1117	2057	3034	3826	4562	5233	6705	9792	10412	11150	11587	11853	12186	12550	13310	14629
216	1166	2073	3057	3856	4576	5260	6857	9829	10421	11152	11588	11861	12189	12565	13315	14652
226	1179	2085	3084	3881	4609	5282	6941	9861	10432	11174	11594	11868	12203	12579	13326	14653
237	1220	2110	3168	3915	4643	5298	6985	9877	10446	11189	11603	11873	12206	12586	13327	14654
238	1275	2112	3180	3929	4650	5314	7071	9912	10477	11208	11606	11880	12212	12591	13333	14729
256	1326	2127	3182	3952	4667	5329	7114	9920	10479	11211	11615	11881	12216	12624	13342	14804
263	1350	2128	3183	3969	4680	5346	7220	9951	10480	11224	11620	11889	12223	12632	13348	14831
278	1358	2155	3214	3983	4697	5422	7222	9974	10522	11231	11622	11900	12234	12638	13360	14846
292	1376	2159	3220	3992	4712	5435	7223	9987	10561	11248	11637	11902	12240	12647	13367	14859
293	1377	2183	3221	3995	4713	5444	7341	10015	10575	11255	11639	11907	12256	12652	13374	14861
343	1409	2204	3260	3998	4726	5513	7419	10023	10613	11261	11641	11908	12263	12659	13389	14881
360	1416	2228	3272	4002	4739	5519	7505	10035	10631	11270	11655	11924	12268	12668	13404	14925
380	1419	2254	3286	4009	4750	5520	7719	10046	10649	11282	11660	11931	12278	12673	13416	
397	1420	2272	3311	4018	4755	5591	7808	10047	10660	11306	11671	11939	12289	12677	13442	
405	1473	2288	3325	4028	4771	5610	7809	10059	10685	11314	11678	11955	12295	12683	13453	
412	1480	2290	3348	4052	4786	5612	7932	10072	10708	11320	11684	11961	12302	12684	13461	
418	1528	2291	3363	4059	4811	5647	7933	10079	10805	11328	11692	11964	12307	12707	13473	
434	1529	2342	3432	4072	4825	5710	8742	10100	10819	11334	11696	11978	12312	12709	13489	
446	1530	2363	3435	4086	4840	5723	8771	10108	10825	11353	11707	11986	12319	12716	13518	
473	1661	2368	3445	4097	4852	5739	8869	10116	10826	11361	11711	11991	12323	12717	13519	
500	1686	2415	3460	4108	4879	5762	8914	10123	10828	11367	11715	11999	12331	12733	13558	
518	1707	2423	3469	4121	4904	5768	8928	10129	10859	11368	11721	12002	12333	12912	13604	
531	1709	2459	3470	4123	4915	5769	8959	10136	10874	11381	11722	12012	12344	12918	13661	
543	1734	2460	3488	4139	4942	5786	8960	10147	10888	11390	11728	12013	12352	12922	13668	
557	1756	2486	3506	4155	4956	5803	8969	10162	10896	11392	11737	12014	12359	12929	13722	
610	1772	2515	3508	4164	4965	5814	8980	10163	10911	11393	11745	12016	12360	12942	13724	
636	1783	2521	3509	4188	4988	5825	8990	10177	10917	11405	11753	12020	12366	12955	13818	

The bonds specified above are to be redeemed (a) at the principal office of *European American Bank & Trust Company, 10 Hanover Square, in the Borough of Manhattan, the City of New York, N. Y. 10005*, or (b) at the principal office of Samuel Montagu & Co. Limited in London, of Amsterdam-Rotterdam Bank N.V. in Amsterdam, of Societe Generale de Banque S.A. in Brussels, of Deutsche Bank Aktiengesellschaft in Frankfurt, of Banque Generale du Luxembourg S.A. in Luxembourg and of Societe Generale in Paris. Payments at the offices referred to in (b) above will be made by a United States dollar check drawn on a bank in New York City or by a transfer to a United States dollar account maintained by the payee with a bank in New York City, on October 15, 1978, the date on which they shall become due and payable, at the redemption price of 100 percent of the principal amount thereof, together with accrued interest to the date fixed for redemption. On and after the redemption date, interest on the said bonds will cease to accrue, and, upon presentation and surrender of such bonds with all coupons appertaining thereto maturing after the date fixed for redemption, payment will be made at the said redemption price of funds to be deposited with the Fiscal Agent.

Coupons due October 15, 1978 should be detached and presented for payment in the usual manner.

MONTAGU TRUST LIMITED
By: **European American Bank & Trust Company**
as Fiscal Agent

September 12, 1978

LOMBARD

Decline of the village

BY JOHN CHERRINGTON

VILLAGES, according to the Standing Conference of Rural Community Councils, are losing many of their essential services such as shops, schools, medical facilities and buses. There is nothing new in this. Ever since the Enclosure Acts of a couple of hundred years ago the active working population of rural areas has been driven by sheer economic necessity to the towns and the process is still going on.

Since the last war the number of those engaged in farming either as principals or employees has more than halved. With their going the services which used to support farming have vanished, partly because of mechanisation. There is today no need for the village blacksmith, saddler, wheelwright, thatcher or country miller.

Amenity

Thus the number of people who have of necessity to live in rural areas is now minimal and most of those regard the country as a pleasant amenity. This in turn has produced competition for existing housing, with a consequent rise in the cost of all accommodation effectively pricing it out of the reach of the artisan classes. These in any case have to travel to towns to work, and although they may commute from their village council houses, their children will probably have to make their homes in urban surroundings, where they have received their education.

Now that the village population is increasingly made up of the successful middle-aged and the retired, numbers of children are declining. The more affluent the population, the fewer of them are likely to use the state system of education beyond the primary stage; so numbers of pupils drop until it becomes economically essential to close the schools.

There is no evidence that this is a bad thing. There was an enormous outcry when most secondary education was moved to larger centres usually in towns, but, as an employer of rural labour, I found the youngsters had benefited from the change of scene even if their academic attainments were no better. Until recently village schools were not very good, probably because the governors were almost always chosen from the upper crust of the inhabitants, not from those with children actually at the schools.

The example

The comparative affluence of village communities has also forced the closure of the shops and post offices and the reduction of transport and medical services. Those with cars use them for shopping at supermarkets and going to work. Only the poor without a car really need a shop and post office and there just aren't enough of them.

Although this deprivation for a minority is undoubtedly lacking in justice, there is nothing any government is likely to do, unless the example of the Highlands is followed where medical and transport services in remote areas are subsidised.

The alternative is to encourage more industry in rural areas so that the inhabitants would have an economic basis for living there. This though is the last thing anyone wishes to contemplate. Even if the planners should agree, and this is difficult enough in itself, it is almost certain that the objections of the local population would be loud and strident enough to kill any but the most innocuous of projects.

Purpose

There is no real reason why light industry should not be established in rural areas, instead of on some estate in a town miles away. Successive German Governments have, since the war, made the industrialisation of the countryside a priority, partly to encourage part-time farming, but mainly because of the benefit of having a section of the population gainfully employed near their rural homes. I think there has been considerable social advantage from this, if only through giving rural life a purpose in an industrial society.

Those who deplore the situation in Britain should reflect that as it is mainly due to their own policies the only remedy in justice should either be to accept some industrialisation, or to pay by special rates, levy or some other means, for the services they have denied to others.

Doubtful prospects for the vintage

WINE

BY EDMUND PENNING-ROWSELL

WE ARE NOW only a few weeks away from the vintage in Western Europe. Indeed if the weather conditions had been more favourable over the past three or four months it might already be starting in some parts. In fact, as we all know, the summer was generally poor, up to early or the middle of August, depending on the area, and so almost everywhere the vintage is going to be late, and therefore even more uncertain than usual.

French harvest

It might seem that this is a matter of little concern to us, consumers for the majority of wine drunk here or anywhere is not sold under a vintage date, and even for those who do look to vintages 1978 seems a good way away in terms of drinking. Yet this is not quite the case, for while there is no overall shortage of wine in Europe, there is no surplus of the slightly superior wines that go into quite modestly priced blends. Moreover the 1977 vintage, after a poor summer but a fine, crop-saving autumn, was not very good and deficient in quantity. The total French harvest was only 52m hl compared with 73m hl in 1976, and the *appellation contrôlée* wines, which include such fairly basic items as Bordeaux Rouge and Côtes du Rhône, totalled only 11m hl as against 13m hl a year earlier. Italy, which has had nearly 80m hl crops, only made 64m hl of which the Denominazione di Origine Controllata accounted for no more than 6.4m hl.

The Germans did rather better for quantity last year, with a prolific 10.4m hl, compared with 8.6m in 1976, and 8.2m hl in 1975. However, whereas the two earlier years produced wines of remarkable quality, with over 80 per cent in the Prädikat class (Kabinett, Spätlese and upwards) in 1976, nearly 80 per cent of last year's crop was restricted to Quality wines, to which sugar may be added, and of which Liebfraumilch is much the best-known here.

In 1977 both Spain and Portugal produced reasonable crops, but they too have had a late spring and summer that will lead to a delayed vintage.

The fundamental cause of this relatively recent pre-occupation with each vintage as it comes along is that economic pressures, including high interest rates and inflation, have led to an increasing speed of sale by growers and merchants and a consequent decline in stock-holding. So the whole trade growingly is living from hand-to-mouth, vintage to vintage.

Accordingly all the countries would like a good, reasonably prolific vintage this year, though not all of the same type even within each. The Germans would like a generous-sized crop, but with a much higher proportion of Prädikat than last year. The Italians would like a bigger amount of DOC wines, but not an 80m hl harvest, particularly not in the south.

In France the situation is more complicated. In 1975 and 1976 Bordeaux was favoured by good vintages, the latter almost a record so far as the reds were concerned, and a total of 3.5m hl of AC wine; but last year this was reduced to less than 2m hl, with the white wine crop the smallest for 30 years. And no one pretends that the '77s are likely to turn out more than moderate in quality. So Bordeaux would like a plentiful crop of sound, early-maturing, easy-to-drink wines: rather like '62, '67 and '71 in quality.

Burgundy, which lacked a good vintage in 1975, save for some white wines, is urgently in need of a large crop. For the 1977 vintage was small and indifferent in the Côte d'Or and just indifferent in Beaujolais. Yet the '77 prices were about 20 per cent higher than for the much superior '76s.

The Rhône had a fair crop last year, though not equal to the '76s in quality. Yet Rhône prices have risen very sharply in the last couple of years, and they also want a big stabilising vintage. Alsace had a large production last year, but there prices have been rising sharply. The Loire had a very small harvest in 1977, and they too need a big vintage. In Champagne the situation is dominated by the need to replenish stocks after a 10 per cent rise in sales in the past year, and the officially-fixed price of grapes is going to go up by more than 10 per cent.

It would be foolish even now to predict the quality of the vintage anywhere, but what is fairly clear is that no region is going to achieve the kind of vintage that it would like. The pessimistic predictions everywhere up to the middle of August have been modified by the fine weather experienced since. It is now possible that what the French term an "honourable wine" may result. This means one of which the producer may not feel disgraced, and under the circumstances is better than it might have turned out.

Apart from the hazards of a late vintage—the second week in October is a likely starting date in most of France—nowhere can a big crop be expected, and in Champagne it may be disastrously short; perhaps only 60 per cent of last year's. In Burgundy the white wine prospects are not too bad as to quantity, but the reds are going to be short, and that probably goes for Beaujolais too. In Bordeaux the chances are better for St Emilion and Pomerol, where the vines flowered early, than for the Médoc and Graves.

Symptomatic of expectation has been the recent sharp rise in Bordeaux rouge prices. Small crops are predicted for the Rhône and Loire. A widely-publicised hailstorm in Pouilly-sur-Loire is said to have almost decimated the crop. The Alsace harvest is unlikely to be large, and prices are already affected by lack of stocks. So too is the Rhône, though with better weather this summer, the quality may be reasonable.

In Germany they are used to late vintages, but before that a fine summer is a pre-requisite for a successful harvest, and this year much of the crop will be insufficiently ripe. In Italy too the picking will begin late, from the north right down to Sicily, and it is likely to be small and of varying quality in the north and centre.

Everywhere a continuance of good weather for another month is needed, and this is a tall order; bad weather would soon create rot in the vineyards.

No one should deduce from this that we are going to get into a Brazilian-coffee situation with a reduced crop causing a shortage of wine and prices going through the cellar roof. There is plenty of wine for the blends and the brands that form the staple of the trade and its customers, and the lower the quality level, the more available for the blends. Nevertheless prices will go up, perhaps rather sharply, in France particularly, of fairly basic white wines.

Where the squeeze will be felt most is on vintage wines, including quite modest types in the low-to-medium ranges of *appellation contrôlé*. It is very in the interest of cons[umers] therefore, that they buy a[t cur]rent prices, whether the[y are] interested in Bordeau[x], Barolo, Moselle or Rhone. [It] is not the first time tha[t this] advice has been given her[e;] one only has to look bac[k at a] three-year-old catalogue [of a] reputable wine merchant [to see] how prices of, for exampl[e, 1970] clarets and 1971 burgundie[s have] risen; and in Bordeaux [the] cellars price of most fine [wines] is three times higher than only two years ago.

Higher prices

What to buy? No one ca[n buy] everything, but the purcha[ses] would include '75 and '76 c[larets,] '76 red and white burgundi[es and] beaujolais, '75 and '76 R[hône,] '75 and '76 German wine[s and] Alsace, and the finer [Italian] wines with some bottle-age [in] them, though only the Pie[mon]tese growths, such as [Barolo,] Barbaresco and Gattinara [are] for prolonged maturing. [The] combination of an un[certain] vintage, inflation and de[pletion] of stocks make price inc[reases] a near certainty almost [every]where. And a few bott[les of] champagne, vintage or [non-]vintage might well be ac[quired] too, for when I w[as in] Champagne last month pr[ice in]creases of between 10 a[nd ...] per cent were forecast. [Looking] back, wines that appear[ed ex]pensive now, seem to hav[e been] so cheap in the past; an[d it is] going to continue that w[ay for] some time.

Opt for Majestic Maharaj

RACING

BY DOMINIC WIGAN

ERNIE JOHNSON, who was provisionally booked for both the top weight Humdoleila and bottom weight Majestic Maharaj in Pontefract's Fern Hill Stakes, has opted for Jack Hanson's three-year-old, leaving Willie Carson to ride the Barry Hills-trained Humdoleila. I shall be disappointed if he has not made the right decision.

Although Humdoleila, the course specialist, is fully entitled to the steadier of 9 st 4 lb after that game second-place run behind Sea Pigeon in Epsom's Moet and Chandon Silver Magnum, it could well be that Hanson's Wetherby colt is something of a snip at the weight with only 8 st 5 lb.

Considered good enough to take his chance in the Derby (a fair 14th of 25 behind Shirley Heights), Majestic Maharaj had previously run the highly talented Hills Yankee to four lengths in York's Glasgow Stakes in addition to gaining two wide-margin victories.

I take him to comfortably account for Humdoleila and will be looking to the still improving Milsson, a head runner-up to Hikari at Nottingham a few days ago, for the chief threat.

It will be disappointing if Mr. Robert Sangster's Yes Please, a creditable fifth in York's Lowther Stakes, cannot regain winning form in Pontefract's six-furlong Junior Stakes. Here that tough colt, General Atty, ridden as usual by Lester Piggott, will, I am sure, take a hand in the finish.

At Folkestone, two maiden colts deserving of a victory, Gosport and Heywood Hardy, look capable of providing the finish to the Rolvenden Two-Year-Old Stakes.

Gosport reverting to the minimum trip for the first time in six outings, did well to finish a two-and-a-half-length third behind Persian Sapphire and Swinging Trio at Epsom two weeks ago.

However, I doubt him being quite good enough to cope with his Newmarket opponent, a neck runner-up to Celtic Halo over this trip at Catterick 12 days ago.

Lampion did extremely well to finish a neck behind the Lester Piggott-ridden Wolveriana at level weights in a mile event at Leicester last month with the rest easily beaten off, and she looks set to go one better in the Battle Maiden Fillies Stakes. Here the additional quarter of a mile will suit her ideally.

PONTEFRACT

2.30—Yes Please*
2.30—Celebrity Squares
3.30—Carrie Red
4.00—Majestic Maharaj**
4.30—Gnos
5.00—Ivan Ivanovic

FOLKESTONE

2.15—Heywood Hardie***
2.45—Bradden
4.15—Lampion

TV/Radio

† indicates programme in black and white.

BBC 1

6.40 am Open University (Ultra High Frequency only). 12.45 pm News. 1.00 Pebble Mill. 1.45 "Bod and the Grasshopper." 3.20 Cawl a Chan. 3.53 Regional News for England (except London). 3.55 Play School (as BBC 2 11.00 am). 4.20 Lippy Lion and his Friends (cartoon). 4.35 Ask Aspel. 5.00 John Craven's Newsround. 5.10 The Story Beneath the Sands.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.50 Star Trek.
7.40 Happy Ever After.
8.10 Dallas.
9.00 News.
9.25 Off to Philadelphia in the Morning.
10.25 Accident of Birth.
11.15 Tonight.
11.55 Weather/Regional News.

All regions as BBC 1 except at the following times:

Wales—5.55-6.20 pm Wales Today. 6.50 Heddiw. 7.10-7.40 Glas Y Dorlan. 11.55 News and Weather for Wales.

Scotland—5.55-6.20 pm Reporting Scotland. 11.55 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.55 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40 am Open University.
11.00 Play School.
4.55 pm Open University.
7.00 News on 2 Headlines.
7.05 Dilemmas.
7.30 News on 2.
7.35 Best of Brass.
8.10 Lothersdale—An Image of England.
9.00 Jack High: Kodak Masters Bowls Tournament.
9.30 Carl Perkins Sings Country.
9.55 Spitfire! Story of the development of the fighter plane for the Battle of Britain.
10.50 Beneath the Pennines.
11.20 Late News on 2.
11.30 The Rebel Poet (Hugh MacDiarmid)
12.10 am Closedown (reading).

LONDON

9.30 am World Within Itself. 10.05 "The Sound Barrier," starring Ralph Richardson and Ann Todd. 12.00 Chorlton and the Wheelies. 12.10 pm Pipkins. 12.30 Home-made for the Home. 1.00 News plus FT index. 1.20 Thames News. 1.30 Crown Court. 2.00 Summer After Noon. 2.25 Tuesday Matinee: "The Seven-Year Itch," starring Marilyn Monroe. 4.20 Under the Same Sun. 4.45 Magpie. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames at Six.
6.35 Crossroads.
7.00 Father Dear Father.
7.30 Star Games.
8.15 Selwyn.
8.45 Disraeli.
10.00 News.
10.30 The Village That Would Not Die.
11.15 Lou Grant.
12.10 am Close: James Coyle reads a poem by Wordsworth.

All IBA regions as London except at the following times:

ANGLIA

9.30 am An Asian Notebook. 9.55 Feature Film: "How To Succeed In Business Without Really Trying." 1.25 pm Anglia News. 2.00 Houseparty. 2.25 Tuesday Matinee: "King Of The Khyber Rifles," starring Tyrone Power and Michael Rennie. 6.00 About Anglia. 7.00 Survival. 11.15 Anfield Centurions. 11.45 Rafferty. 12.40 Anthology.

ATV

9.55 am Cosmic Zoom. 10.05 Morning Cinema: "The Finest Hours (the story of Sir Winston Churchill, narrated by Orson Welles). 11.55 The Adventures of Parsley. 1.20 pm ATV Newsdesk. †2.25 The Golden Age of Comedy. 3.55 The Electric Theatre Show. 5.15 Gambit. 6.00 ATV Today. 7.00 Emmerdale Farm. 11.15 Jazz Concert. 11.45 Something Different.

BORDER

9.45 am Wildlife Cinema. 10.15 Rush. 11.10 The Lost Islands. 11.35 Life on Junks. †1.20 pm Border News. 2.00 Houseparty. †2.25 Matinee: "State Secret," starring Douglas Fairbanks Jnr. 5.15 The Flintstones. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 11.30 The Anfield Centurions. 12.00 Border News Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's On Where. †2.25 Feature Film: "Victoria The Great." 5.15 The Practice. 6.00 Report At Six. 7.00 Walking Westward. 10.28 Channel Late News. 11.15 Pro Celebrity Snooker. 11.55 Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.25 am First Thing. 9.30 Star Maidens. 10.00 The Charles Dickens Show. 11.10 Woobinda. 11.35 The Secret Lives of Waldo Kitty. 1.20 pm Grampian News Headlines. 2.25 Feature Film: "A Doll's House," starring Jane Fonda, David Warner and Trevor Howard. 5.15 The Flintstones. 6.00 Grampian Today. 6.10 Partners. 11.15 Anfield Centurions. 11.45 Reflections. 11.50 Grampian Late Night Headlines.

GRANADA

9.30 am Sesame Street. 10.30 The Jetsons. 10.50 Cartoon. 11.00 Tarzan. 11.45 A Handful of Songs. 1.20 pm This Is Your Right. †2.25 Tuesday Matinee—John Mills in "Summer of the 17th Doll." 4.10 Cartoon. 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Emmerdale Farm. 7.00 Backs to the Land. 11.15 Anfield Centurions. 11.45 Dan August.

HTV

10.20 am Child Life in Other Lands. 10.40 Wild, Wild World of Animals. 11.15 Dynomutt—The Dog Wonder. 11.45 Flower Stories. 1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 2.25 "Woman Times Seven," starring Shirley MacLaine, Peter Sellers and Michael Caine. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 [illegible] Search and Rescue. 7.00 [illegible]. 11.15 Anfield Centurions. 11.45 The Outsiders.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 4.20 Miri Mawr. 4.30-4.45 Seren Wib. 6.00-6.15 Y Dydd. 10.30-12.20 am "Rhaid Dinistrio Frankenstein . . ." starring Peter Cushing and Veronica Carlson (first of three feature films dubbed in Welsh).

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

11.00 am Operation Skua. 1.25 pm News and Road Report. 2.25 Feature Film: "Paris When It Sizzles," starring William Holden and Audrey Hepburn. 5.15 Ratfink. 5.20 Crossroads. 6.00 Scotland Today. 6.30 What's Your Problem? 7.00 Emmerdale Farm. 11.15 Anfield Centurions. 11.45 Late Call. 11.50 The Big Break.

SOUTHERN

9.30 am Adventures in Rainbow Country. 9.50 David Hand Cartoon. 10.15 "Bonnie Prince Charlie," starring David Niven. 1.20 pm Southern News. 2.00 Houseparty. 2.25 "Knock on any Door," starring Humphrey Bogart. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day By Day, including Southsport. 7.00 Emmerdale Farm. 11.15 Southern News Extra. 11.25 Pro-Celebrity Snooker.

TYNE TEES

9.45 am The Good Word followed by North East News Headlines. 9.50 Who's Afraid of Opera. 10.20 Movie Classics: "Great Catherine," starring Peter O'Toole. 1.20 pm North East News and Lookaround. 5.15 Tell Me Why. 6.00 Northern Life. 7.00 Emmerdale Farm. 11.15 The Bob Newhart Show. 11.45 Epilogue.

ULSTER

10.30 am Morning Movie: "Bachelor of Hearts," starring Hardy Kruger, Sylvia Syms and Ronald Lewis. 1.20 pm Lunchtime. 2.25 Tuesday Matinee: "Jigsaw" starring Vera Miles. 4.18 Ulster News Headlines. 5.15 Cartoon. 5.20 Crossroads. 6.00 Reports. 6.35 The Mary Tyler-Moore Show. 7.00 Emmerdale Farm. 11.15 Anfield Centurions. 11.45 Bedtime.

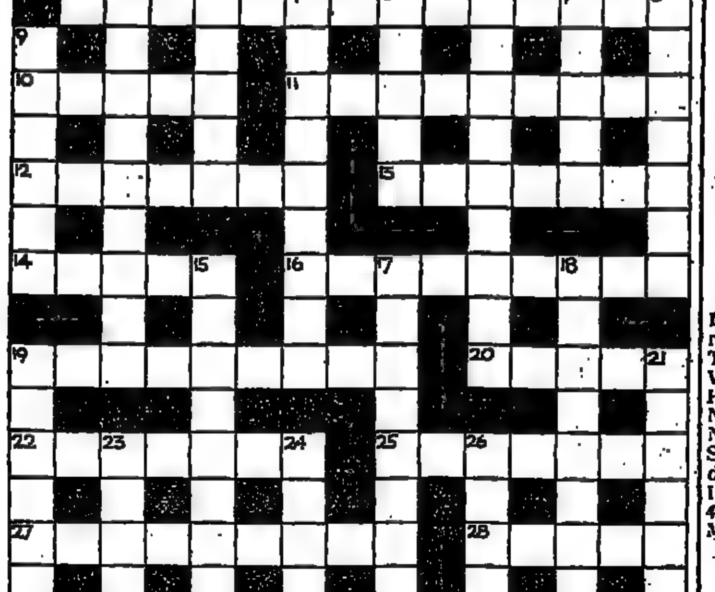
WESTWARD

10.05 am History of Europe. †10.35 Feature Film: "The Uncle," starring Rupert Davies. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. †2.25 Feature Film: "Victoria The Great," starring Anna Neagle and Anton Walbrook. 5.15 The Practice. 6.00 Westward Diary. 7.00 Walking Westward. 10.28 Westward Late News. 11.15 Pro-Celebrity Snooker. 11.55 Faith For Life.

YORKSHIRE

9.30 am Wildlife Cinema. 10.00 The Herbs. 10.15 The Outsiders. 11.10 Everyday Life in the Arctic. 11.35 La Gastronomie. 1.20 pm Calendar News. 2.25 Tuesday Matinee: "Paris When It Sizzles," starring William Holden and Audrey Hepburn. 5.15 Anfield Centurions. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 11.15 At The Embankment.

F.T. CROSSWORD PUZZLE No. 3,768



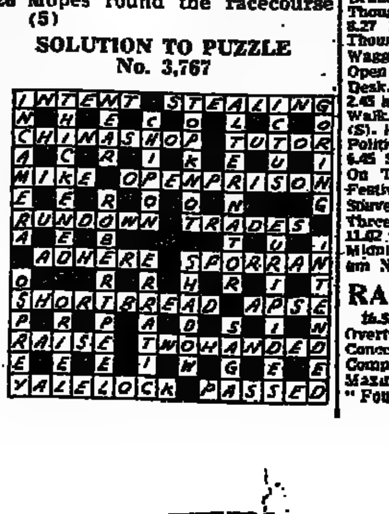
ACROSS

1 Be ruthless although stupid with blackjack (5, 2, 7)
10 Concur with soldiers in time (5)
11 Chips and fish come in (9)
12 The last word to the German editor (7)
13 Set reel differently where films are made (7)
14 Room at the top in Greece (5)
16 Nark in train for Mantua (9)
19 One who haggles with landlord? (9)
20 Scenery that could be partly indecorous (5)
22 Irregular triangle without a small circle (7)
25 Exceed the time limit with six deliveries and only one added (7)
27 Treat me to a book? Just what the doctor ordered! (9)
28 Cruise round pole but its pace would be slow (5)
29 Thin sand-cement mixture could be a disappointment (14)

DOWN

2 One who tortures people in the middle of bills (9)
3 Caught animal coming up, or that's the belief (5)
4 Instrument for agreement I get on with (9)
5 Tender type of shark (5)
6 Certain to be in step and valued (9)
7 Put underground in train terminus (5)
8 Gent accepts member in clothing (7)
9 Prohibit a North African fruit (6)
15 Fish the French expose to the sun to make quack (9)
17 Go without nett reversal—it isn't remembered (9)
18 Find out when sure (9)
19 Scolded a class of seamen in bed (7)
21 Cause festering in right joint (6)
23 Wants to send Oriental wild (5)
24 Settee that contains prongs (5)
26 Mopes round the racecourse (5)

SOLUTION TO PUZZLE No. 3,767



RADIO 1

247m

(S) Stereophonic broadcast. ‡ Medium Wave.

[illegible]

RADIO 2

1,500m and VHF

[illegible]

RADIO 4

[illegible]

RADIO 3

464m, Stereo & VHF

[illegible]

London Broadcasting

261m and 97.3 VHF

[illegible]

BBC Radio London

206m and 94.9 VHF

[illegible]

Capital Radio

194m and 95.8 VHF

[illegible]

ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the Box Office.

OPERA & BALLET

[illegible]

THEATRES

HALMARKET. 930 9832. Prevs. from Oct. 4. Opening Oct. 9 at 7.00. GERALDINE McEWAN. CLIVE FRANCIS. NIGEL STOCK. PETER BOWLES [illegible]

SAVOY THEATRE. 01-83[illegible]. Credit cards 734 4772. Tom [illegible] WHOSE LIFE IS IT ANYW[AY] with JANE ASHER "A MOMENTOUS PLAY..." [illegible]

[illegible]

CINEMAS

[illegible]

CLUBS

[illegible]

The Management Page

EDITED BY CHRISTOPHER LORENZ

Christopher Lorenz on how workers are adapting to changes in technology

The human face of the Swiss watch industry

THERE CAN hardly be a more dramatic example of how new technology transforms an entire industry—and the jobs of the people who work in it—than the Swiss watch industry.

Thanks to the explosion of demand for quartz (electronic) watches, most of the industry's factories are now going through an uncomfortable electronic revolution.

Less widely realised is that, for many key plants, this is the third manufacturing revolution in just a decade—a daunting challenge for any management and work force, even if they are as disciplined as the Swiss.

This is not a story of how the Swiss have been dragged screaming from tiny, village assembly shops into twentieth century mass production: the picture of the Swiss watch industry as a collection of nimble-fingered, beady-eyed peasants working in their back rooms has long been outdated. Parts of the industry have been organised on a mass production scale since the last century, though "home workers" do still exist.

What everyone in the Swiss watch industry has had to cope with over the past ten years—from top managers down to women on assembly work—is an indication of what is in store all over Europe during the next decade for all sorts of workers in all sorts of traditional industries, as products and the processes by which they are made are transformed by innovation, and electronics in particular. Where many industries will be even more severely affected is in the closure of outdated factories, which has been kept surprisingly low in the Swiss watch business.

Little has been heard until now about how the watch revolution has affected the man or woman on the shop floor. This is partly because thoughtful management has minimised potential conflicts. For example, job cutbacks have been spread across all the country's watch plants, rather than just those whose products were worst hit by the slump in demand, which in a different country might have been closed; apart from enlightened management, one reason for this was to stave off political intervention.

The relative non-militance of Swiss trade unions (there is only one in the watch industry) has also smoothed the transition to modern manufacturing techniques. One sign of this is the ease with which radically new methods have been introduced into old factories—a challenge many British companies, for example, prefer to avoid by closing old factories and opening new ones elsewhere.

The Swiss watch industry's workforce has fallen by about 40 per cent over the past eight years to its current level of about 55,000. As with the international telecommunications industry, which is currently undergoing an equally traumatic transformation, it is impossible to say how much of this reduction was caused by changes in technology — and consequent labour-saving — and how much by the slump in world demand between 1974 and 1976 (exacerbated by constantly growing world competition over the last five years). But Swiss managers blame the recession for the forced redundancies; otherwise, they say, the impact of automation could have been handled by "natural wastage" and voluntary redundancy schemes.

As in telecommunications, another key factor is that this fall in the workforce cloaks a far greater upheaval in its composition; in other words far more than the 34,000 people suggested by the statistics have been affected by the revolution. As the type of work has changed, so have the requisite skills, and the division between male and female labour.

After a swing from women to men in the second stage of the revolution five years ago as highly-trained male specialists replaced unskilled personnel, the pendulum is now swinging back in favour of women, though this trend could be reversed again a few years from now.

Many of the men have been successfully retrained: in one 800-person factory the retraining programme has had a near-80 per cent success rate. But many of the part-time, mainly middle-aged, women whose jobs disappeared several years ago, thanks to either the previous change in manufacturing techniques or to the 1974-76 slump, have not been rehired.

They have been replaced by much younger full-timers—often school-leavers, who are considered more suitable for today's type of assembly work which is more mentally demanding, thanks to the use of complex equipment, especially test-gear.

To illustrate what these changes have meant to the workforce, I visited three of the top factories owned by Ebauches — part of the group behind such brands as Eterna, Longines and Certina — including the oldest and newest plants, each with a very different story.

Ebauches, which claims to be the world's largest maker of complete watch movements, is now moving further into the assembly of finished watches. An obvious reaction by any sort of component maker to the opportunity for highly automated assembly of finished products, this is just one of the factors which is creating radical change on the shop floor.

FONTAINEMELON

Why the quartz revolution is putting women back in business

THE FACTORY at Fontainemelon, halfway between Neuchatel and the French border, is the oldest in the Ebauches group. Founded in 1793 and now employing 800 people, it has long been the dominant employer in this picturesque village of only 1,500 inhabitants.

The "family" feeling at the plant is enhanced by the fact that the family of its general manager, M. Denis Robert, used to own it. "The change to electronic watch manufacture hasn't been all that brutal," he says. "It has proved harder in theory than in fact"—certainly when compared with the switch to automated production of mechanical watch movements a decade ago.

Of the three factories, the manufacturing changes at Fontainemelon since the mid-1960s have been the most extensive. Its products being particularly highly standardised, for the low-middle of the watch market, assembly-line production was an obvious attraction.

About 10 years ago it shifted from the use of individual machines to a carousel system, which was still human-fed and controlled. Five years later came the change to a flow-line system, with computers taking over the feed and control operations.

This double-quick change has had a dramatic human effect, in terms both of numbers and skills. Over the last 15 years, unit output has doubled, to a capacity of over 12m movements a year. But the size of the labour force is the same as in the early 1960s (having surged and fallen in the meantime, thanks in part to the boom-slump years of 1968-76). The real increase in labour productivity has been even greater, since many of the products have become more complex.

A vivid example of what this has meant on the shop floor is in base plate production. Fifteen years ago 200 people operated 400 machines. Now 40 employees tend 18 machines, and theirs is a supervisory job.

As in many industries, automation of the production line has had to be accompanied by a substantial increase in support staff, the numbers at Fontainemelon rising from about 80 to a current 200. Former machine-minders now work on the manufacture of machines themselves, for example, and others have been retrained as supervisors.

The net effect of all this has been a complete change in the composition of the labour force, in terms of skills as well as sex. Instead of having a lot of unskilled operators feeding and controlling the machines, there are now only a handful of unskilled workers, with a mass of semi-skilled, and some highly skilled.

Fifteen years ago half the labour force was female, many of them middle-aged part-timers. By the time the second-stage of automation was completed five years ago, the ratio had been reduced to under a third, with many women's jobs being replaced by highly trained male specialists capable of adjusting and servicing highly sophisticated equipment.

Now, with Fontainemelon moving into the assembly of complete electronic watches for the first time, the good eyesight and manual dexterity of young women is in strong demand. This trend will continue as the factory's output is gradually concentrated more onto electronic ("quartz") watches.

By 1982 electronics may account for half Fontainemelon's output, but by then female employment could again be falling, as some of the assembly work is automated still further. A similar trend applies throughout the Ebauches group, though the male/female swings have not been so sharp in all the plants.

The changes wrought in the past decade by the three phases of new technology have been made much more difficult by the combined effects of the 1968-73 boom in demand—which could only be met by recruiting more workers — and the ensuing slump, the severity of which surprised everyone in Switzerland. Had the recession not occurred, according to one senior Ebauches executive, there would have been no need for forced redundancies. He claims that automation, including the introduction of electronic watches, could have been coped with by "natural wastage" and retraining.

Unlike most other traditional European industries which are hit by the combined effects of automation, new product designs and market slump, the Swiss watch makers were able to soften the blow on their indigenous labour force by sending home many "guest workers" (many West German employers have done the same). A good 15 per cent of Fontainemelon's labour force was Italian at one time.

Its management denies that hardship has resulted: all of them were immediately snapped up back home, it is claimed, by Italian companies only too glad to capitalise on the skills the workers had acquired in Switzerland.

Of the Swiss workers who left during the recession—partly on early retirement schemes—many were middle-aged women who "retired" with their nest eggs to look after their husbands and homes. Few have come back to fill the new vacancies on assembly work for electronic watches. Most of the recruits are younger women, hired for their manual dexterity and adaptability to new techniques.

Fontainemelon has also been hiring new male workers: rather than machine-minders or feeders, as in the past, its requirement is now for toolmakers, mechanics and electronics engineers. In contrast with the women, a high proportion of the male employees have been retrained. M. Robert says the (on-site) re-training generally works successfully up to the age of about 50, transforming machine-feeders into supervisors, for example. He claims a 70-80 per cent success rate on those who go on the three- to four-month programme.

A key facet of the transformation is that the glint of extra wages has by no means always been important in persuading workers to accept new technology and ways of working. A change of job at Fontainemelon does not necessarily mean upgrading, and a consequent pay rise.

There are many reasons why the transformation has nevertheless been accepted readily by most employees. In many parts of Switzerland, as in Fontainemelon, watchmaking is the only job in the immediate neighbourhood, and many Swiss are loath to look further afield for work than a few kilometres. Rural factories also have their "family atmosphere." And there is the inestimable benefit of having only one union throughout the Swiss watch industry, so there are no inter-union disputes over new types of work.

GRENCHEN

Where each machine was automated

BIENNE IS one of the twin hearts of the Swiss watch industry, and a few miles away, in the foothills of the Jura mountains, at Grenchen, is the largest Ebauches factory, employing 1,100 people.

Just like the smaller Fontainemelon, the electronic revolution is seen as "far less important than the mechanical ones we have just been through," in the words of Mr. Hans Marti, manager of the plant.

But Grenchen, attuned to more up-market products with more special features than Fontainemelon, adopted a different approach to the automated production of mechanical watches. Instead of replacing individual machines with a line, it automated each machine—some of whose throughput has been trebled in the past few years.

The impact on shop floor workers is obviously rather different from that at Fontainemelon, with its fewer individual machines. The worker at Grenchen who originally operated one machine, and then two, now supervises three or more; for example, 16 workers now control 400 teeth-cutting machines.

Over the past 15 years there has been a reversal in the ratio of workers on the machines and back-up staff (preparing the machines and tools, for example, or checking control equipment). There are now only just over 300 manual workers actually on the machines.

The female-male swing has been even sharper than at Fontainemelon. The 65-35 per cent ratio of 10 years ago was reversed with increasing automation, though there is some upturn at present, thanks to the introduction of quartz watch assembly into the production line; quartz now accounts for a fifth of output, with a possible target for 1980 of as much as half.

Grenchen cut fewer jobs than some other plants in the industry during the recession. Rather than reduce employment by a fifth as the slump in demand might have suggested, the management cut only 10 per cent, and stepped up retraining. Half the labour force was retrained during the recession.

It would be pleasant to be able to attribute this to philanthropic motives: Bienne was, after all, one of the Swiss regions worst affected by the recession, unemployment soaring to the unheard-of height (for Switzerland) of 6 per cent at a time when the national rate was 1 per cent.

But the reasons for accelerated retraining were hard-headed. With relatively up-market products, Grenchen was expected to recover more quickly than other plants from the slump, and retraining — which was entirely financed by the company, without government help—eased the introduction of further automation.

The management is now planning for automated assembly of entire watches—not only movements—with one shift controlling 24-hour operations. So manufacture at Grenchen will become even less labour-intensive.

This is an important point to be understood by those who think that the move from mechanics to electronics represents a once-for-all increase in labour productivity. As experienced electronics engineers will tell you, the pattern of production in their companies alters at least as quickly when they move from one generation of electronic product to another as it did when electronics replaced mechanical products.

The Swiss watch industry is something of a special case, however, in that at least half the manufacture of an electronic watch with a traditional face—as opposed to those with digital displays—is identical to the processes involved in making a mechanical watch. Provided the Swiss continue to fight back with their so-called "quartz analogue" (traditional face) watch against the digitals, the revolution in their factories will remain within bounds.

MARIN

Like Silicon Valley

THE ONLY new factory Ebauches has opened for electronic watches is a gleaming grey-white, partly subterranean structure at Marin, on the outskirts of Neuchatel. Unlike Fontainemelon and Grenchen, there are no noisy machines stamping out piece parts. One might be in California's Silicon Valley, the home of American electronics, with its gleaming floors and white-coated staff.

Several of the key managers at Marin won their pedigrees in the U.S. electronics industry, including Mr. Peter Daly, an Englishman, who is in charge of the production of micro-circuits.

Had the recession come earlier than the early 1970s, Marin might never have been built — certainly not to a size which now rivals Grenchen, with about 1,100 workers. But when the investment was committed 10 years ago, there was no sign that the world market was about to collapse, and that spare labour might become available at existing plants.

The factory was carefully situated between the industrial belt of Neuchatel and the agricultural area round the edge of its lake, in order to tap the maximum possible number of workers. As a result, they have come from a wide range of backgrounds: farms, shops, the tobacco, chocolate and frozen foods industries, and straight from school.

As in most advanced electronics factories round the world, the majority of Marin's employees (two-thirds) are semi-skilled women, with a strong emphasis on youth. Some are older, having been retrained from their previous jobs in the watch industry. But there have apparently been problems instilling certain skills: for example, training someone who has for years used an eyepiece to switch to a microscope is not always successful. Another indication that not everyone finds working with electronics congenial is that, even after its settling-down period, Marin has a higher rate of labour turnover than Grenchen.

Until recently, most of the Ebauches production and assembly of quartz watches was carried out at Marin, but now, as the group as a whole gradually moves towards a 50:50 ratio of output between mechanical and electronic watches, it is acting increasingly as a design and pilot plant, before turning over the assembly of proven designs to the group's other factories — including Fontainemelon and Grenchen. Marin will continue as the main source of integrated circuits and digital watches.

Everyone at Marin is well aware that there are major changes in store over the next few years in the way they work with their machines. Rapid advances are occurring all the time in the design of equipment. So retraining will remain an ever-present challenge, even in this most modern factory.

Brussels: the unrealised hopes for a Euro-capital

BY GILES MERRITT

THE FIRST advertisements that catch the eye in the arrivals hall at Brussels airport tend to be those of British property agents. Their wares are the empty office blocks in the city centre which in recent years have become a feature of the Brussels scene. As often as not, their clients are British companies that since the early 1970s have sunk approaching £500m in property development in Brussels.

"It may seem hard to believe now," one partner in a large London-based property consultancy explains "but only a few years ago it seemed inevitable that Brussels would rapidly become the business and administrative capital of Europe." To most minds Brussels still is the European capital, in that it houses the EEC Commission and remains a contender for the prize of host to the directly-elected European Parliament. But to property developers and the Belgian Government alike the city has failed to blossom into the Euro-capital that was envisaged.

Instead, the Belgian government now faces a worrying falling off of foreign investment. The British investors who hoped for booming demand for commercial property are faced with a market that has remained stubbornly slack for three years.

Only a trickle of new manufacturing and administrative operations are being started by foreign companies in Belgium, with new foreign investment for 1977 down to BFr 9.2bn (about £146m) from a level of BFr 24.3bn in 1974. In the smart Quartier Leopold business district of Brussels it is estimated that around half of the new office space, developed mainly by British interests in expectations of a boom, remains unlet. Last year a total of 429,000 square metres of office space was available in Brussels and only 244,000 square metres was let, with much of that accounted for by Belgian government departments and various institutions associated with the EEC Commission or with NATO.

Without any significant new office development in recent years this take-up of space gives hope that an eventual recovery of the market is now in sight. But for the early developers that recovery has come far too late.

The reduced flow of foreign investment is only one facet of the problem. Equally as significant is the number of companies that have decided to close their manufacturing operations in Belgium or move their European management headquarters elsewhere. During the past five years over 100 companies of foreign or mixed ownership have left. In the motor industry alone reduced Belgian operations by Renault, Citroen, Saab and Volvo are calculated to have cost the country some 6,000 jobs. When the industrial big names pull out, such as Control Data or Chevron Oil, which has just moved its European headquarters to London, the resulting publicity tends to be damaging.

> 'The time is past when American Alice went around in Belgian Wonderland generously pouring out investments'

The heart of the matter, naturally enough, is a growing reluctance of American multinational corporations to invest in Europe in general and in Belgium in particular. Major U.S. corporations, controlling European subsidiaries whose sales are estimated to be equivalent to 15 per cent. of the total EEC Gross Domestic Product, were to have been the basis of Brussels' new status as the Euro-capital. With Geneva in decline as a centre for management, the hope was that Brussels would attract an ever-growing number of big U.S. concerns following ITT's decision to administer its European businesses from a skyscraper in Brussels' Avenue Louise.

These American companies would have been been following a well-trodden path by establishing themselves in Belgium. During the 10 years up to 1968, for instance, U.S. industry accounted for 65 per cent of all foreign investment in Belgium, and by 1970 was providing 13 per cent of all manufacturing employment in the country. That share has now dropped, according to some assessments, to 17 per cent of the much-reduced overall total of foreign investment. The signs are that it will slip still further.

Belgians are still digesting the implications of a survey conducted last year by the American Chamber of Commerce in Brussels among the more than 1,000 U.S. companies that are established in Belgium. Like a similar Chase Manhattan report, it suggested that American interest in Belgium is on the wane.

The Chamber of Commerce poll showed that by 1981 U.S. companies will have decreased their investments in Belgium by an overall 25 per cent, and that in manufacturing industry the drop could be as much as 37 per cent. To some extent that is in line with the general retrenchment associated with the recession. Where headquarters in particular are concerned, the view increasingly taken by U.S. companies is that excellent transatlantic communications now make it possible to direct European operations from home. American industry's current disenchantment with European profit levels is reflected clearly in the Belgium survey. High production costs, the costs provoked by the strength of the Belgian franc and the depreciation of the U.S. dollar by another 35 per cent against it since 1970 and by the indexing of Belgian wages have been only part of the problem. Tax problems and social legislation have been equally important. Squabbles over the revision of Belgian income tax regulations for foreigners at one point reportedly prompted ITT into threatening departure, while the effect of the U.S. 1976 Tax Reform Act added about $5,000 per head to the yearly cost of maintaining American executives in foreign countries.

It is the cost of eventually getting out of Belgium that is believed to have daunted many potential foreign investors. saga of the Belgian subsid of the U.S. Badger Corpor focused attention during on this problem. The w reported row centred on fact that the Badger opera in Belgium was bankrupt, on whether the parent sh pay redundancy costs. But a tion also centred on BFr 250m due under Bel law to the 250 redundant ployees. The price does always work out at BFr 1m head. When the British Fa Group last year contempl selling a Belgian subsidiar another British company, 600 redundancies involved w reckoned at BFr 299m.

The Belgian Government launched a spirited cour attack. In recent month number of Belgian mini have visited the U.S. to ou line Belgium's advantages European crossroads and highly industrialised and c plined economy. Not long M. Mark Eyskens, the Secre of State for the Fle Regional Economy, dro some broad hints of BFr in American investment in pipeline.

The incentive that the gian authorities must be ing up, is Brussels' positio home of the EEC Commis The snag is that the pres of the Eurocrats no lo attracts the multinati quite as strongly as expected. Five years ago i thought that large corpora would establish their Euro headquarters in Brussels t close to the Eurocrats. T the trend appears to be to setting up much sm streamlined "listening pos

Warner Lambert, for exa was one U.S. corporation based itself in Brussels order to take advantage o Commission's presence. year it closed the oper down after only 18 month

That is cold comfort to property experts who devel office space in Brussels. also of little help to a Be Government that is strug with an unemployment which at 7 per cent is the se highest in the EEC. A Eyskens has remarked: " is past when American went around in Belgian derland generously pouri investments."

Albert Moore's 'Dreamers'

Manchester City Art Gallery

The Pursuit of the Ideal by DAVID PIPER

Dreamers—two girls folding sideways in sleep, in a slow fall of pale yellow draperies. Their collapse is stayed by the upright of a third girl alongside them on the right; her eyes are half-open, but she is still in dream, her eyes looking through you, not seeing. On the extreme right, a yellow fan is splayed: a fragile thing, but here holding the composition with the strength of a flying buttress. The colour key is high but muted: pale yellows, greens, golds and white. The girls are beautiful in themselves, but entirely unimpassioned, without allure of sex. Nothing happens, except profound well-being.

Albert Moore, author of this astonishing painting, is one of the most underexposed of all important British painters. At his death in 1893, his friend Whistler said: "Albert Moore . . . The greatest artist, in the century, England might have cared for and called her own." Yet his last extensive showing in London was in 1894. More recently (1972) Newcastle-upon-Tyne saluted him. Now, in a delightful exhibition, he steals the show from his three partners in the Victorian High Renaissance, the others being Leighton, Watts, and the sculptor Alfred Gilbert. London though will not see this show, for which you must go to Manchester by October 15, after which it translates to Minneapolis and to Brooklyn.

It seems indeed to have been sparked by American interest, and put together primarily by American scholars (Richard Dorment, Gregory Hedburg, Allen Staley) though with aid of our two leading British students of Leighton, Leonée and Richard Ormond. Credit is given to the Friends of the Minneapolis Institute of Arts for making the catalogue possible; it is still £4, but at that price a snip as snips go nowadays: a splendid and lasting contribution to our knowledge of the period in general, and of these four artists in particular.

Moore's art seems to me remarkably immediate now, once the notion that his paintings are "about" languid females dozing or posing is dispelled. Somewhere in the catalogue it is suggested that the female form draped (and though the drapes be vaguely classical) is for the artist no more, no less, that the geometric square is for Josef Albers, the maestro of a thousand variations on the square. And indeed already in 1868, W. M. Rossetti was implying fairly categorically that Moore had sold out to abstraction. In fact of course, the girls are very much there and I suspect so for most viewers a very much more rewarding staple than the square as a theme for variations, however much they are transposed primarily into a series of modulations of textures, colours and linear movement.

Since first seeing a shrine full of Rothkos, I have always wanted to see a small gallery hung solely with Moores, in quietness and those "tender and tertiary harmonies" of colour and tone. At least once he repeated the same composition thrice, each time in terms of an entirely different colour scheme.

The exhibition is put together to illustrate no less than a revolution: that of the reaction against the realism of the Pre-Raphaelites by a revision of ideal classical standards. No really adequate label to encompass the many facets of this movement has yet been coined—Victorian Olympus, High Victorian, High Victorian Renaissance—all indicate components, but the difference between the four artists here are no less striking than their similarities. Watts comes off least well, but the reasons behind the selection in his case here are not always readily apparent; some of it illustrates only too clearly the sapping of vitality which his endlessly unsatisfied worrying of his paint could lead to.

His best work—the *Orpheus and Eurydice*, say, or the *Manning* and the *Tennyson* (both almost expressionistic in feeling as in handling)—show what he was truly capable of. Leighton is of course the most Olympian, and it is a minor pity that his self-portrait from the Uffizi, that Jove-like figure with the Parthenon frieze in the background, was not available especially for Manchester, where you climb to the exhibition through a stately stairwell adorned with casts of that same frieze). Maybe, in subject matter, like Watts, Leighton is still too close to us, and laden with improbabilities that border on the absurd. His *Bacchante* in her pose may echo classical precedent, but she may also seem to be cradling her tambourine with the exact gesture of a Soviet-bloc field-event heroine putting the shot.

On the other hand, his grave processionals, those great friezes of maidens—with much in common with Moore's but on a larger scale with more complex orchestration—are superb. This kind of frieze composition answered some deep need of the time; the Parthenon prototype is no doubt always consciously or subconsciously behind them, but they formulate an ideal pattern of ceremony, of decorum, sufficient unto itself. Gilbert complements the three painters (though both Watts and Leighton too were sculptors) in this admirably arranged show, if at some disadvantage as his major monumental works—*Eros* itself, the great *Queen Victoria* at Winchester, the *Alexandra Memorial*—obviously cannot be shown; but the small bronzes are as seductive as ever, and in Gilbert's case, the catalogue makes an especially valuable contribution to the story of that troubled and tormented genius.

It is all, in its luxurious gravity, in curious contrast to the busy, sometimes all but breathless, mood of its counterpart—Great Victorian Paintings—now drawing to its close (at the end of this week) at the Royal Academy. Seeing them on consecutive days, as I did, the Academy show seemed almost frivolous; there every picture indeed tells a story. Some in their time, were paintings of the year, famous problem pictures, and still even in the television age, compulsive talking points as the buzz at the Academy bears witness. The only image the two exhibitions have in common is Watts's famous *Hope* (at Manchester, the painting from the Tate; at the Academy, a coloured mezzotint version that is rather more agreeable than the original). Hope seems not quite in place in either exhibition, neither anecdote nor pure high art, but a fairly plonking or tinkling symbol, crouching forlorn in her crinkly Grecian shift on the bleak slopes of the globe itself, plucking at the one unbroken string of her lyre. Despair as much as hope, as many have pointed out, but still in all her ambivalent absurdity, ultimately as compulsive and potent an image as almost any produced anywhere these two centuries past.

Entertainment Guide appears on Page 12

Fairfield Hall, Croydon

Chris Barber

by KEVIN HENRIQUES

Chris Barber

When trombonist Chris Barber's band first came into being in the mid-1950s its repertoire was largely New Orleans based: "Savoy Blues," "Panama," "Bourbon Street Parade," for instance, and some unlikely novelty numbers such as "Whistling Rufus." In the ensuing years the band has increased in size (it's now eight strong), altered its instrumentation and broadened its musical spectrum enough to warrant its present appellation of "Jazz and Blues Band." These shifts in policy may have disturbed the "Traddie" followers of those formative years, but happily any defectors are replaced by younger listeners who appreciate the bluesy, rocky tunes the band includes with the staple diet of New Orleans music and Ellingtonia.

Versatility and catholicity are thus the Barber band's hallmarks and they shone brightly during Friday's *New Orleans and the Blues* concert at Croydon, one of the stopping places on a lengthy tour of England and Scotland. The blues was represented by Tommy Tucker, one of many artists from the Chess label, recording home of such blues giants as Muddy Waters and Howlin' Wolf. One of the younger breed of pianists and singers, Tucker does not have the profundity of the older men. In fact, he was the disappointment of the evening: an uninvolved, unconvincing but strong-voiced singer and a pianist lacking in sufficient emotional resources to compensate for his technical inadequacies.

New Orleans was triumphantly represented by 66-year-old trumpeter Alvin Alcorn whose long career includes spells with Kid Ory and George Lewis. His reticent platform manner disguised a crisp, hard-driving player with a full, open tone who hits the high notes with astonising facility. In ensembles with the band, and in a revealing duet with its long-serving trumpeter Pat Halcox, where the poles-apart approach of each produced an unusually interesting version of "Muskrat Ramble," Alcorn played with authority and typical New Orleans verve.

In its own featured spots, the Chris Barber band stayed mostly in the Crescent City idiom—including, as it happens, the first three titles mentioned in my opening sentence. However the band's grittier, bluesy style was feelingly revealed in numbers like "Heavy Henry," "Sideways" and Duke Ellington's "Immigration Blues": Full-blowing, swinging saxists John Crocker and Sammy Rimmington took most of the solo honours in these and the other items in a notably well presented concert.

The Barber band and its two guests are in Scotland until tomorrow and end their tour next Sunday at the Dorking Halls, Surrey.

Riverside Studios

The Bastard from the Bush

For nearly two hours, the Australian actor Robin Ramsay tells us Henry Lawson's tales of his life in Australia at the turn of the century. Lawson gained popularity in his day with collections like *While The Billy Boils*, atmospheric stories in the manner of Bret Harte but with less substance. Also like Bret Harte, who was a childhood favourite, he wrote verse: the collected works fills three volumes. He made enough reputation to be presented to King Edward, but never achieved the place in the world of letters to which he felt himself entitled. He took to drink and died in squalor.

Mr. Ramsay's performance does credit both to Lawson and to himself. Relaxed and friendly on a stage that contains only a little rough furniture, he uses no more action than the minimum recommended by Hamlet (though I enormously admired his skill in falling backwards from his chair without spilling his beer), and holds the attention without fail.

But if you aren't an Australian, I doubt if the material is strong enough to support a one-man show like this. Lawson summons up the companions of his youth, his maturity, his unhappy decay, with brightness and affection, but he does little with the characters he evokes.

B. A. YOUNG

Jeannetta Cochrane

Much Ado About Nothing

The National Youth Theatre (of Great Britain, to give it its full title for probably the last time) has mounted a very pretty *Much Ado* on the little stage of the Jeannetta Cochrane and there is some pretty playing to go with it. The Beatrice and Benedick are already drama students. Beatrice is Kate Buffery, who has caught one's eye persistently for some time now. She is unlike the average Beatrice in being tall, pretty and dignified; her wit is the conversation of a deb in an Anthony Powell novel, not the salty jesting of a Women's Lib spinster.

James Simmons is different from the average Benedick, too, and in the same way. He is a very proper gentleman. When he is wearing his beard, his feathered hat and his gold lace cloak, he suggests some Spanish hidalgo by El Greco and even when he is clean-shaven and less elaborately dressed he is noble to the fingertips. In his case there is a disadvantage, for Benedick's wit ("I will go on the slightest errand now to the Antipodes rather than hold three words' conference with this harpy") is often barrack-room stuff and Mr. Simmon's courteous delivery mutes it a little.

Inevitably the scene they do best is their love-scene in the church after the spoiled wedding, with its bitter sequel. This is very good indeed.

Claudio and Hero are both naturally modest characters drawn out of their quietness by circumstances, and Martin Balcombe and Claire Toeman are both of them happiest when the emotions are lowest. The hat Claudio wears on his first appearance makes him look like a village idiot, but there's nothing in his performance to support such an idea. Hero needs to get the veil off her face quicker when revealing who she is at her second wedding, or the magic moment is lost. She is well attended by Margaret and Ursula; this is a specially good play for this company for the number and variety of the young women characters in it.

There is a likeably foolish Watch under Philip Dear's Dogberry. Mr. Dear is sometimes funnier than he knows, for he talks through his laughs.

The graceful set with its lines of arches is uncredited in the programme, and the costumes, too. These (doublet-and-hose type) are so rich that I imagine them to have been borrowed or hired from another company. The young people strut about in them as confidently as if they were T-shirts and jeans. The director is Paul Hill, more familiar as the company's general manager

B. A. YOUNG

Covent Garden

Das Rheingold by DAVID MURRAY

Wagner's *Ring* revolves again and so far it appears that Götz Friedrich's thought-provoking production has not been loaded with new barbs; any new thoughts will have to be manufactured by whomever it still provokes. The gods are still effete aristos—Robert Tear's ripe Froh is delicious, tottering anxiously back and forth on his high heels lugging gold bars—and the Nibelung brothers are still in minstrel (or maybe miners') blackface, with the fire-god Loge ruby-eyed and baleful in an old bedspread.

The triumph of the production remains the first confrontation between gods and giants, where the perverse sharpening of the characters gives the action a vicious bite. The giants are allowed their dignity, with Robert Lloyd's Fasolt sketching a small romantic tragedy, overborne by Matti Salminen's crustily authoritative Fafner. Instead of dignity the gods have refined manners, which is dramatically sufficient—the new Freia, Rachel Yakar, might he less docile when re-abducted, though she sounds appropriately flighty. Donner's *raison d'etre* is to call up thunder, which Hermann Becht does with too little respect for Wagner's note-values. George Shirley's grip on the disaffected Loge has tightened admirably; one misses a true tenor brightness after a time (and older Wagnerians may wish he were more candidly lyrical with his crypto-aria), but his impudently pointed declamation justifies Friedrich's conception of the role, something between Feste and Thersites.

Josephine Veasey's sterling Fricka and Patricia Payne's Erda—which is maturing splendidly, grandly phrased and alive with concern—stand apart from the rest, not being guyed. The Royal Opera has generally been fortunate in its Mimes, and Paul Crook is the vividly effective new incumbent. It is Friedrich's fault that one doesn't believe the scene in which he is thrashed by an invisible Alberich: Alberich is all too plainly immobilised in mid-stage. The Achilles' heel of the production is its apparatus; it is boring here to be addressed at great length by a glass pillar—which intermittently disgorges Alberich, but seldom enough that the exposition of the character is crippled.

This is, I fear, a serious matter. Alberich is the linchpin of *Rheingold*, Wotan's alter ego. Zoltan Kelemen's performance this time was offhand in any case, loudly self-congratulatory and musically negligent—and he is effectively blocked out of much of his principal scene. As he departs in the final scene he is only a smug monster swearing revenge; but surely he is a little man who has had an undreamed-of taste of power, and now can live for nothing else. (Friedrich's programme-remark that Alberich seeks to change the lot of the Nibelungs, to help them "strive upwards towards the light," is not for a moment to be taken seriously, nor does the production suggest such a thing.) Donald McIntyre, a seasoned Wotan, sounded bored, and "Abendlich strahlt der Sonne Auge. . ." was a mere shadow.

Colin Davis led a fairly mild performance. Alberich's music in the Rhine scene still sounds tame and careful, though the Rhinemaidens are fresh and charming. There was little majesty in the Valhalla strains, and the anvils (less overwhelming than they were) failed to articulate the Nibelung rhythm. The stately march at the end works well enough, and Friedrich's wicked echo of Georges Guetary climbing the Staircase to Paradise is a better joke than the old "Entry of the Goods into Vauxhall" one, with Fasolt's corpse looming at the side.

Leonard Burt

Matti Salminen, Rachel Yakar, Robert Lloyd, George Shirley and Donald McIntyre

Cottesloe

Lark Rise by MICHAEL COVENEY

The National Theatre's stroll through the first volume of Flora Thompson's *Lark Rise to Candleford trilogy*—that most beautiful and elegantly unostentatious chronicle of vanished life in a North Oxfordshire village of the 1880s—has been revived with all due care and affection. Without ever forcing the pace, directors Bill Bryden and Sebastian Graham-Jones, uncover a detailed and colourful mosaic of village rite, custom and gossip against a backcloth of muscular folk rock music from the Albion Band, equipped with electric guitars and keyboard, accordian and percussion.

All seating, except at the higher levels, has been removed and, down below, you may be jostled by young Laura and her young brother, Edmund, scampering through the dewy morning in search of mushrooms, or by the shining, avuncular figure of Brian Glover as a barrow boy offering bloaters, oranges and the (then) unfashionable tomatoes. From above, you can enjoy the patterns of men striding afield, scything a resolutely choreographed progress through smiling customers, or forming a circle to run through the songs of the day, led by that talented graduate of Steeleye Span, Martin Carthy, one hand cupped over an ear while giving robust decoration to a plaintively melodic line.

At one end, William Dudley has designed an evocative golden curtain to suggest the limitless acres of cornfields while, at the other, he gives us a charming parlour interior for the home of Laura's family — scrubbed furniture, heavy black stove and all. It matters not at all that a stray member of the audience might find himself (as last night) stranded on the table as, at his feet, the gossips gather over their needlework to exchange scandals and watch the world go by.

Mark McManus is now alternating with James Grant in the part of Laura's father: Dave King has stepped in to play old Major Sharman, gently removed from his roots to an institutional end, and the Rector who presides over the sad, concluding service for war victims (who were to include Laura's little Edmund); and the children themselves, charmingly played by Valerie Whittington and Paul Davies, are also new. In an otherwise stable company, Jack Shepherd is lazily effective as Boamer and Tamara Hinchco now shares several roles with Dinah Stabb.

It all amounts to a gentle, often sleepy, sort of entertainment, played without an interval and certain not to upset admirers of the original work. What you lose on the swings of Miss Thompson's wisely ironic narrative style you gain on the roundabouts of pictorial juxtapositions and overall mood.

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A new formula for Rhodesia

MR. SMITH'S announcement that a modified form of martial law is to be introduced in Rhodesia provides further confirmation that the "internal" settlement agreement he reached last March was a gamble that failed. It has failed because it has not halted the guerrilla war. On the contrary, this has been intensified to the point where martial law measures are felt necessary. It has failed because the black politicians who joined Mr. Smith in Government—Bishop Muzorewa, the Rev. Sithole and Chief Chirau—have been seen to achieve remarkably little progress towards genuine majority rule. The emphasis throughout has been on dissipating white fears rather than on the equally important task of meeting black aspirations.

Prompted visit

Nothing could illustrate the failure of the internal settlement better than the announcement by the Salisbury Government last week that it will no longer be possible to transfer power to the black majority on December 31. Throughout the four months of negotiations that led to the internal agreement, the black politicians argued that December 31 was an inviolable date. They have now abandoned it without protest.

Mr. Smith, for all his blustering criticism of Britain and the U.S., has himself tacitly accepted that the internal settlement will not work. This is what prompted him to pay a secret visit to Zambia last month for talks with Mr. Joshua Nkomo, the man whom Britain, South Africa and, almost certainly, Mr. Smith himself, would prefer to see installed as the first President of an independent Zimbabwe. For the moment, at least, that process of secret negotiations has been halted. The talks in Zambia have reinforced the suspicions dividing Mr. Nkomo and his partner in the Patriotic Front, Mr. Robert Mugabe. They have also divided the "Front-line" African states, which support the Patriotic Front, between those approving the Smith-Nkomo meeting (such as President Kaunda of Zambia) and those opposing it (such as President Nyerere of Tanzania).

At the same time, the shooting down of an Air Rhodesia Viscount, for which Mr. Nkomo has claimed responsibility, and the massacre of survivors of the disaster, for which he has denied responsibility, have produced a mood of white indignation and fury which will make it more difficult for Mr. Smith to hold further talks with Mr. Nkomo.

On the more positive side, Mr. Smith's promised "get tough" measures, announced on Sunday, appear to fall far short of expectations, even though full details of his new martial law measures have yet to be revealed. It is important that the Rhodesian Premier, under strong pressure from Britain and the U.S., has so far eschewed retaliatory raids into Zambia or Mozambique.

Neither Mr. Smith nor Mr. Nkomo appears to have ruled out the possibility of further discussions over the coming months. There are, however, grave dangers that the longer talks between the Salisbury Government and its external opponents are delayed, the more attitudes will harden, the more the very real dangers of all-out civil war will increase. The white exodus from Rhodesia would gather pace as fighting intensified and the Patriotic Front would see less and less incentive to negotiate.

'Dead and buried'

Mr. Nkomo himself said yesterday that the Anglo-American plan for an all-party conference was already "dead and buried." That is not so, but he does have a point. For months now, there has been little progress towards such a conference and a widespread expectation that, even if one did materialise, it would break up in disarray. Against this background, and amid a fast deteriorating security position in Rhodesia, secret talks between the Patriotic Front and Mr. Smith could play a vital role in producing a negotiated settlement. If the discussions then led on to a conference which fleshed out a broad agreement already reached. This could involve a further departure from the letter of the Anglo-American settlement proposals, but that might be a small price to pay to avert a civil war.

Challenge from the NEB

IT HAS become fashionable to proclaim the virtues of the small company. There has been much discussion in recent months about whether the financial institutions are as well organised as they should be to enable entrepreneurs to start and expand new businesses. But one mechanism whereby small and medium-sized companies can be created has not received the attention it deserves. This is the process of "de-merging," the willingness of large, diversified companies to hive off their peripheral businesses. Many of these giants participated in the take-over boom of the late 'sixties and early 'seventies. They acquired a collection of businesses some of which, while sound and profitable, no longer fit in with their corporate objectives.

In the U.S. a number of divestitures of this kind has been carried out. Some of the unwanted businesses have been sold to other large companies: they have provided a ready means of entry for European firms which were seeking to establish themselves in the U.S. But others have been sold to the management of the subsidiary concerned. The senior managers, anxious to go on running the business, have been able to obtain from banks and other institutions adequate funds to buy it from the parent company. The chances are that as an independent enterprise, with a management dedicated to making it successful, it will perform better than as a neglected offshoot of a giant concern.

Scope for more

Some such spin-offs have taken place in the UK, but there is scope for a great many more. While it may be less troublesome for the owner to sell the subsidiary to another large company, the case for setting it up, or helping to set it up, as an independent concern needs to be looked at more carefully. If this is to happen the banks and financial institutions, especially those which specialise in providing risk capital for smaller companies, have to be ready and willing to design a financial package which suits the new owners.

A topical case is the sale by Eaton Corporation of the U.S. of a small British subsidiary called Powerdrive, which was announced at the weekend. The business has been bought by the management with the aid, not of private sector institutions, but of the National Enterprise Board. While it would be wrong to draw any conclusions from a single, small example, there is a suspicion in this and some other recent cases that City institutions are not as flexible or as quick on their feet as they should be. The NEB evidently regards itself as a competitor to the private sector in this sort of financing; the fact that its services are being taken up by entrepreneurs who would prefer to have used the private sector should give the City food for thought.

Selective

Whether the NEB should be in this business at all is another matter. A constraint which the Government imposed on its predecessor body, the Industrial Reorganisation Corporation, was that it could not make funds available to companies which were capable of obtaining the necessary finance from commercial sources. It is arguable that the NEB should steer companies like Powerdrive to an appropriate private sector institution and use its own funds more selectively, where there is a problem which the private sector cannot solve. But this is unlikely to happen as long as the Labour Government is in office.

In the meantime the NEB will continue to roam about as a conglomerate holding company-cum-merchant bank, ready to pick up whatever business comes its way. The City may deplore such activities, but at least they should stimulate the private sector to improve the marketing of its own facilities and to make them more flexible.

THE DRIVE FOR DIVERSIFICATION . . .

Spreading, and clipping, the oil majors' wings

BY DAVID LASCELLES IN NEW YORK

WHEN OIL companies go in for take-overs they do so in a big way. Standard Oil of California's $1.75bn bid last week for Amax, the metals and minerals group, ranks among the largest ever seen in the U.S. The only successful bid of this magnitude was General Electric's $2bn take-over of Utah International in 1976.

But it may in the end turn out to be more important for what it says of the oil industry's view of its future, and for the impact it has on the continuing debate in the U.S. about whether the big oil companies should be curbed, and if so, how.

What Socal is trying to do is raise its present stake in Amax of 20 per cent to 100 per cent by offering Amax shareholders a mixture of cash and stock of its own. Although Amax promptly rejected the offer, the outcome is still far from clear since Socal is unlikely to let the matter rest now that it has shown its hand, and Amax will be uneasy with such a large and restless shareholder.

If the recent behaviour of the oil industry is anything to go by, Socal will pursue its quarry, since the bid fits into a growing pattern of natural resource takeovers by the oil majors, which are being forced by circumstances to prepare for the day when the oil runs out.

In the last two months alone there have been two such bids, Texas Eastern's successful $460m acquisition of Olinkraft, the forestry products company, and Occidental Petroleum's still-pending $900m offer for Mead Corporation, one of the country's largest wood, paper and packaging companies. And these bids are only the latest of the oil industry's serious attempts at diversification which have been going on for at least three years.

It is no accident that the oil companies' restlessness coincided with the energy crisis. The oil embargo transformed a comparatively well-ordered activity into one fraught with confusion and uncertainty. It also drove home the realisation that oil would some day run dry, something even the oil industry itself had not fully accepted. The situation in the U.S. today is plain: oil companies are not finding as much new oil and gas here as they produce, and reserves appear to be declining, irreversibly.

The energy crisis also led to a much higher level of government interference in pricing, exploration, environmental control and so on, which was bitterly resented.

Against this, though, the oil crisis did produce higher oil prices. So the oil industry found itself in a situation where the future was highly uncertain, but where money was available to do something about it.

The fact that the biggest new or attempted diversifications have come in the last year or so is linked directly to the start-up of oil production in Alaska and the North Sea, which has increased the cash flow of the oil companies whether as producers (Atlantic Richfield, Occidental, Texas Eastern) or as refiners as well (Socal).

But the big question for the oil companies has been not so much whether to diversify, as in which direction.

The most logical course was *to enter other energy fields, primarily coal and uranium,* and new alternatives such as solar energy. But, as with the oil companies' expansion into chemicals, this is no longer the dominant trend, partly because the prospects are limited and partly because the aim is to get away from, not more deeply into, energy and all the controversy and interference it entails.

For instance, the head of the Federal Trade Commission's Bureau of Competition, Mr. Alfred Dougherty, said earlier this summer that he proposed to urge Congress to impose ceilings on the amount of coal and uranium properties the larger oil companies can own.

The oil industry has therefore been spying out new areas for expansion.

One of the earliest ventures into new areas came in 1975-76, with Mobil's $1.5bn acquisition of Marcor, owner of the Montgomery Ward retailing chain, and Container Corporation of America, a maker of packaging products. Both were areas where Mobil saw strong prospects for growth given the massive capital injection it was able and willing to make. It was around this time that Socal bought its 20 per cent stake in Amax, "for investment purposes only," as it told the SEC.

The mid-1970s also brought a spate of small acquisitions by second-ranking oil companies like Tenneco, now one of the most widely-diversified energy concerns with interests ranging from nuclear battleships to almonds, and Sun Oil (electronics, distribution systems, medical products).

The next landmark diversification came in 1977 with Atlantic Richfield's $600m acquisition of Anaconda, the giant mining and metals concern in which it had bought a 27 per cent stake two years earlier.

Arco, which had surprised Britain in 1976 by buying up the ailing Observer newspaper, also moved *in 1977 to expand its interests in electronics and pro*cess control, putting it among the most broadly-based of the oil majors.

But until the middle of this year, the oil companies' sallies did not fall into any clear pattern: electronics, retail and distribution, mining, publishing and even farming, which suggested that the companies themselves were not sure where to turn.

But Texas Eastern, Occidental and Socal have all within the space of two months taken purposeful strides in the direction of natural resources, suggesting that the Arco-Anaconda deal is the real trendsetter.

This would be logical. The mineral resources industry has a considerable technology overlap *with oil through geology* and drilling, and the type of *business is similar in that it has* long lead times and high investment.

Forestry resources also require long lead times, and timber has the extra attraction to oilmen of being a self-reproducing asset with an indefinite future. Forestry companies, with their slow return on investment, are also held by Wall Street analysts to be generally undervalued because of the short-term view taken by most investors. But this suits the oil companies, who are more concerned with what their acquisition will yield in the year 2000 than in 1980.

Furthermore, forestry companies have a major asset, land, which is often ignored.

Analysts therefore believe that the similarity between the Texas Eastern and Occidental bids is no coincidence. Both wanted companies with a sound long-term future, which forestry offers because of the growing world timber shortage and the small chance of products like paper and wood being rendered obsolete by some startling technological breakthrough.

But even if the oil companies' intentions are becoming clearer, the reception they will receive from such people as the FTC and Senator Kennedy's anti-trust committee in the Senate is far from clear.

Although calls for the break-up of the oil majors—either vertically or horizontally—are less strident than a couple of years ago, when the oil industry was deemed to have concocted the energy crisis for its own ends, their diversification is unlikely to pass unchallenged.

Significantly, the FTC issued a complaint against Arco's bid for Anaconda which has yet to reach the courts (it will probably do so early next year). This means the whole deal could still be reversed and Arco forced to divest itself of the metals concern. (It may be no accident that Arco has been busy splitting Anaconda up into new divisions and absorbing them into different parts of its business.)

In the Amax case, the FTC reacted to Socal's new bid with a reminder that it had never closed its investigation into Socal's original acquisition of 20 per cent of Amax three years ago. Although it had not issued a complaint, the FTC said, investigations were "still active."

The similarity between the Arco and Socal deals means the complaint against Arco could become a useful indicator of what lies in store for Socal if its bid is successful.

The FTC itself says that the oil companies' activities are an area of concern, though it has not yet decided what to do about it.

There are two broad objections to oil company diversification. *One is the anti-trust* implication of a large oil company buying another company with energy interests. For example Amax, though primarily a metals company, is the third largest coal producer in the U.S., a fact it was quick to point out last week when rejecting Socal's bid.

The other is the vague but politically potent argument that big is bad, an accusation to which oil companies are especially vulnerable since they occupy half of Fortune magazine's top ten list of the world's largest companies.

The combination of Socal and Amax, for example, would produce a company with over $25bn in annual sales, putting it on a par with Texaco, the third-largest oil company [after] Exxon and Mobil.

Sensitivity to this pr[oblem] explains why Exxon itse[lf has] shied away from take[overs]. Instead, its diversificatio[n into] such fields as elect[ronics] (where it makes word [pro]cessors and inform[ation] systems) has been ach[ieved] internally through the [estab]lishment of its own subs[idiary] Exxon Enterprises. Alt[hough] this tactic is no guarante[e that] Exxon will escape dive[stiture] orders, it reduces the [risk] of such a challenge.

It is wrong to assume th[at the] oil companies are making [money] out of their diversification[s, how]ever. Although their new [activi]ties may turn out to be va[luable] assets by the turn of [the] century, few of them are [doing] well just now.

Exxon, for instance [lost] money on all its non-oil a[nd] energy operations in 19[76 and] 1977, as well as on its [...] and "other" busi[nesses]. Although Mobil makes a profit on retailing, its [paper] board and packaging divi[sion is] in trouble owing to the [weak]ness of the market, [and] reported growing losses [in its] "other" divisions in th[e first] part of this year.

Arco won control of An[aconda] just as the price of [copper] settled into a trough from [which] it has yet to extricate [itself], dragging Arco into the [debate] about the future of th[e U.S.] copper industry, in[cluding] demands for trade protec[tion].

Gulf's investment in u[ranium] has entangled it in a cart[el case] and forced it to sell the [uranium] at a fraction of the marke[t price] to fulfil contract obligati[ons]. Its other investments [in real] estate ventures are "no[t mak]ing a meaningful contr[ibution] to profits."

It is true, of course, th[at some] of these ventures were br[ought] with an eye to a quick [...]. Indeed, Arco's presider[nt] Thornton Bradshaw, [told a] recent meeting of oil a[nalysts] here that the acquisit[ion of] Anaconda was "a bargain" [and] "will provide a sound sec[ond] enterprise to supplement [our oil] and gas business over th[e next] 15 to 20 years."

But the evidence s[o far is] that apart from the publicised hurdles of an[ti-trust] that the oil companies w[ill have] to run in pursuit of div[ersifica]tion, the down-to-earth [business] of learning about new [busi]nesses will play a part [...]

WHERE THE MAJOR OIL COMPANIES STAND NOW

EXXON

Revenues in $m	
Petroleum and natural gas	53,564
Chemicals	3,578
Other	387
Total	57,529

"Other" includes the mining of coal, uranium and other minerals, together with Exxon Enterprises, a group of high-technology companies with special strength in information processing.

STANDARD OIL OF CALIFORNIA

Revenues in $m	
Petroleum	21,000
Chemicals	742
Other	10
Total	21,752

Last year Socal began construction of a $50m uranium mining venture in Texas and is also concerned with the development of geothermal energy. It holds 21.2 per cent of AMAX.

GULF

Revenues in $m	
Petroleum	18,230
Chemicals	1,208
Minerals	157
Total	19,595

"The company is primarily an integrated petroleum company with secondary operations in the chemicals, minerals and nuclear industries"—1977 annual report. Gulf recently acquired Kewanee Industries in the U.S., a specialised chemical manufacturer.

BRITISH PETROLEUM

Sales in £m	
Petroleum	11,501
Chemicals	461
Other	132
less inter-divisional sales	(297)
Total	11,997

This year BP has greatly enlarged its chemical business with the purchase of most of Union Carbide's European chemical interests and Monsanto's European polystyrene plants. It has also increased its stake in Australian coal.

MOBIL

Revenues in $m	
Energy	26,805
Chemicals	1,155
Retailing	5,047
Packaging	1,145
Total	34,443

Mobil's energy resources include 3.6bn tons of coal reserves in the U.S. and interests in uranium exploration.

SHELL

Revenues in £m	
Oil and natural gas	19,695
Chemicals	2,409
Other	629
Total	22,733

Shell has been making substantial investments in coal and has expanded its metal interests, with new ventures in tin, aluminium, deep-sea mining and scrap metal recycling. It has a 50 per cent intererest, with Gulf, in General Atomic in the U.S.

OCCIDENTAL PETROLEUM

Net sales in $m	
Oil and gas	3,837
Chemicals	1,618
Coal	558
Other	4
Total	6,017

Occidental has been investing heavily in new coal developments and in chemicals. Last month it *announced a bid for Mead Corporation.*

ATLANTIC RICHFIELD

Revenues in $m	
Petroleum	9,488
Chemicals	1,235
Minerals	1,693
Total	12,416

The purchase of Anaconda last year has made Atlantic Richfield a major producer of aluminium, copper, uranium oxide and other metals. The company also has major coal reserves, interests in solar energy and the Observer newspaper.

TEXACO

Sales in $m	
Petroleum, natural gas and other	27,256
Petrochemicals	665
Total	27,921

"The company's main activity will continue to be the production, *refining and marketing of petroleum* and related operations, such as petrochemical manufacture. Nevertheless Texaco is also researching or investing in the development of coal, uranium, tar sands and shale oil. Moreover the company will continue to be alert to attractive investment prospects in any field" —1977 annual report.

(All figures relate to 1977)

MEN AND MATTERS

Sticking with the American dream

"I've a good conscience about Vietnam and not changed my views," an unashamed Professor Walt Whitman Rostow told me over lunch yesterday. He was in London for the publication of his 833-page study of the history and prospects of the world economy and remains unrepentant both about his record advising Kennedy and Johnson, on foreign policy and about his "take-off" theories.

Despite the fierce flak he has attracted, he says he has not an ounce of self-pity and defends the U.S. involvement in Vietnam. He says that mistakes were made in decisions against which he argued at the time—he believes that early decisive military action on land, rather than by bombing could have saved the day for the U.S.

In the 10 years since he ceased being national security adviser to LBJ, he has reinvolved himself in academic life, taking up his previous work as an economic historian.

Now bouncy, balding and proud of his tennis, Rostow says that when he left Washington, he examined the widespread criticisms of his theory about take-off stages in the development of economies. But he says "I concluded my original thesis was right." He continued to work with five books—and another on the way—in less than a decade. He remains an optimist about the outlook for the world economy.

In many ways, Rostow is a classic example of the American Dream—in his belief in progress and in the translation of ideals into action. Born in 1916 and named like his brothers, after an all-American hero, Rostow made a rapid ascent through Yale, a Rhodes scholarship at Oxford, work in intelligence as a selector of bomb targets during the war and then the State Department, Cambridge and MIT before joining the White House.

He was one of "the best and the brightest" recruited by Kennedy; in David Halberstram's book of that name Rostow is characterised: "His greatest strength was also his greatest weakness: a capacity to see patterns where previously none existed: to pull together diverse ideas and acts into patterns and theories. It was this which made him intellectually interesting and challenging, but which made him dangerous as well because, so some felt, he did not know when he had gone too far, when to stop, when the pattern was flimsier than he thought." On yesterday's form, Rostow would never admit to flimsiness.

"I'll miss the Lib-Lab pact—choosing between all those shabby deals really got the old adrenalin going."

Star war

The Daily Express and the Morning Star are again at daggers drawn—but for once not over politics. Instead the Morning Star feels its circulation is threatened by the new tabloid which Express Newspapers is launching.

Unlike the Daily Mirror and the Sun, it is not concerned about its readers being sucked away by the contents of the new tabloid. But it does fear that its potential readers will be confused if the Express' offering to lighten our lives is to be called the Daily Star—as has been reported.

"Papers tend to . . . become known by the second part of their name," the Morning Star writes. Scathingly, it says that obviously there "ain't no such animal" as a daily star but extols the Morning Star: "It shines to illuminate the dark places of the world in which we live."

Daily Express chairman, Jocelyn Stevens would not comment yesterday, though the Express editor, Derek Jameson, has been quoted as saying a final decision will be taken today or tomorrow. As for Tony Chater, editor of the "Star"—a name "so nationally well-known"—he tells me: "Our lawyers have just sent the Express a very firm letter."

Poet crusader

It is a trifle ironic that the rabidly anti-English Scots poet Hugh MacDiarmid, who died at the weekend, was paid a Civil List pension, and had been for almost 30 years. This obscure form of State patronage does not, according to Downing Street, amount to all that much. The passionate Communist MacDiarmid received £150 at first, and this year it would have been £650.

Pensions are technically for "public services" and are usually handed out to more needy artists, actors, and writers, of whom 114 now receive between about £200 and £800 each. No less than Dr. Johnson, who also received a Civil List pension, the 86-year-old MacDiarmid evidently felt unconstrained by this support from the State, and continued to the end his fight against what he called the "whole gang of high mucky-mucks, famous fatheads, old wives of both sexes, stuffed shirts and hollow men with headpieces stuffed with straw."

Export days

The London World Trade Centre is now rising from the rubble. It is hardly challenging its New York cousin on height—in quaint British fashion this contribution to our business world is to be a virtual replica of the 19th-century Hardwick warehouse.

The Centre is part of the St. Katharine-by-the-Tower development. Its executive director will be Arthur Day. Until now Day has been director-general of the Institute of Export. But he has resigned following what he describes to me as "differences over policies and personalities with its current chairman, George Lockhart."

Day had been at the Institute for ten years but when I asked why he resigned Day merely answered "That question should be put to Lockhart." Lockhart, an exporter who owns a pharmaceutical company, would not elaborate. Day moves on next month to his new post. He thinks his major achievement so far has been to make "the backwater of international trade education respectable." And his failures? I don't admit to failure."

Silly question

From Andorra comes the story of a tourist who mentioned to a local innkeeper how he had been almost scared to death on a nearby mountain road. "Why on earth isn't there a guard rail along it?" he demanded. "There used to be one," said the innkeeper, "but it got too expensive—motorists kept knocking it down."

Observer

FINANCIAL TIMES SURVEY

Tuesday, September 12

IRAN

The political authority of the Shah has been seriously challenged in the past nine months by countrywide demonstrations. The economy has been recovering but will remain highly dependent on the oil sector, while long term priorities have still to be clearly defined.

Peacock throne under pressure

By Anthony McDermott

CROWDS OF tens of thousands n the streets of Tehran, defying the bullets of the armed orces and a Government ban on unauthorised demonstrations; probably some hundreds killed; houts of "Death to the Shah" nd the "the Shah is Carter's log"; martial law in the capital nd 11 other cities for six nonths. None of these events which occurred at the end of ast week were quite what the Shah had in mind as the reaction to his two-year old policy f "liberalisation." These events —the culmination of nine nonths of increasing unrest and iolence sweeping across the ountry—underline the basic nd painful contradiction between years of authoritarian ule by the Shah and his latterday attempts to find a way of opularising it.

It represents the most formidable challenge to the Shah's uthority since he was humiliatingly sent into brief exile in 953 at the time of the confrontation with Dr. Mossadegh. But he riots and the shooting f rioters have not been the nly recent examples of the hah being forced to take ctions he would not normally ave wished to. An August 27 e had to replace Mr. Jamshid mouzegar—a skilled economist ut without sensitive political air — as Prime Minister by Mr. aafar Sharif-Emami, in an ttempt to placate the public ver the mishandling of the re in an Abadan cinema in hich nearly 400 people died. he new Prime Minister's ppointment was also clearly med at offering belated compromises towards the religious leaders, who have played an important role behind the demonstrations.

Unrest

This present stage of unrest is the third in the past 18 months that the Shah has had to face. The first began early in 1977 with a series of open letters criticising the absolute power of the Shah's regime. The second stage started early this year, dating precisely from disturbances in the town of Qom in January. These were characterised by two main factors. First, the main leaders, ayotallahs (religious leaders) Shariatmadhari and Golpayeghani, acknowledged moderates of the Shi'ite community, made public their opposition to the Shah and their demands for constitutional government. It was their opposition which led to the cycles of violence across different parts of the country coinciding with the expiry of 40 days of Moslem mourning for dead rioters. Second, the instigation of subsequent demonstrations indicated more underground involvement of local mullahs (or priests) without national reputation, and reflected broader concern with social issues. In the present third stage, it begins to look as if the radical element in opposition to the Shah, which has only been occasionally evident over the past nine months, may be re-emerging.

This opposition coincides with the Shah's third political experiment. He first tried to run a two-party system, but in March, 1975, replaced it by Rastakhiz (national resurgence), a single party, or national consensus as it was called. This turned out to be a patent failure, as the Shah himself acknowledegs. It never satisfactorily established a relationship with the Government that could persuade the public that it could serve their interests. In addition, there was open disagreement between different sections of the party, further undermining its authority.

The third political stage comes within the context of the liberalisation programme which the Shah launched about two years ago. In effect this has meant a number of real changes. It has resulted in greater freedom for newspapers, broader public debate about and criticism of the Government (stopping short of the Shah himself), and less overt surveillance of potential opposition members. In addition, the role of SAVAK, the secret police, which the Shah recently described as having become "a state within a state," became less obvious, and in June, General Nematollah Nassiri, who had a reputation for ruthless efficiency was replaced by General Nasser Moghadem, the head of military intelligence to give the organisation a less aggressive face.

On August 5, the Shah announced that next June free elections would be held—"in terms of political liberties, we will have as much liberty as democratic European nations" —and that individuals would be permitted to stand (with the implication that separate political parties could emerge—and Tehran radio has listed no less than 14 potential groupings) against the representatives of Rastakhiz. The latter party has effectively divided into three separate wings, each of which will receive its own budget for the elections. The Communists are not to be represented directly, although the Shah has joked that he had thought of permitting the Communists to stand to show how limited their support is.

Ingratitude

A key question is why the Shah ran the risk of opening himself to the apparent ingratitude of his subjects in response to the loosening of his rule. One answer is that it became clear, particularly as a result of mishandling of the economic boom after 1973 that the previous suppressive system, highly dependent on SAVAK and the armed forces, could not continue unchanged. Second, the Shah at the age of 58 is comparatively youthful by comparison with many world leaders, but had begun to think of the succession of his son, Crown Prince Reza. He has recognised the need for political institutions to supplement the authority of the Shah. Third, there was the question of human rights. There is no evidence that President Carter made the continuation of U.S. support dependent on an improvement. But it became increasingly clear that, although the relationship between Washington and Tehran is extremely close on political and economic issues, there was a difference of opinion on the bad record of the Shah's regime over Western-style civil rights. Fourth, it is argued that with the period of discipline required for the establishment of the country's infrastructure now ended, it was more appropriate to loosen controls to cater for the increased number of graduates from university and secondary schools.

And why the opposition? At the heart of the opposition to the Government is the lack of trust in the Shah. An indication of this came over the Abadan fire. It was remarkable how many people with a vested interest in the Shah's Government were prepared to discuss seriously the possibility that his agents had been behind the fire. In retrospect the horrific death toll was probably the result of incompetence by local police and fire authorities rather than due to a terrorist group. But the fact that people were prepared to entertain the idea of a governmental *agent provocateur* indicates how little the Iranian public—after decades of authoritarian government—is prepared to give the Shah the benefit of the doubt.

Also, the Shah is pressing for grandiose goals—he refers frequently to them in the shorthand of The Great Civilisation —to make Iran one of the most powerful nations in the world again, seems to have lost touch with the fact that his subjects have undergone two separate experiences under the impact of absorbing oil wealth. Expectations were raised during the first years after 1973 which have neither been wholly met nor sustained, and this has led to disappointment not just among the lower classes, but also in the newly-created middle classes who should have been the Shah's most consistent supporters.

Stresses

And as well as producing inflation, including enormous rises in the costs of housing and food, the quest for the Great Civilisation has led to dire stresses on society. Partly because of the disastrous mishandling of agriculture and partly because of the lure of the cities — Isfahan, for example, one of the fastest industrial growing cities in Iran has doubled its population in five years — acute distress has been caused. This has led to discontent which has been easy for the religious leaders (and radicals) to exploit. Much has been made of the erosion of traditional Islamic values under the impact of western-oriented, over-rapid industrialisation and blatant materialism (a line which the Government emphasises unintentionally in emphasising the growing possession of cars, refrigerators, etc.).

It is for these reasons that many of the targets of bombings have been obvious western institutions, such as drink shops, cinemas, banks and restaurants. In these circumstances it is inevitable that religion should be one of the main vehicles of opposition. The Shah and his ministers tend to label opponents as "Islamic Marxists." While this is an apparent contradiction it does recognise the inevitable fact that some groups on the Left may be using Islam as a cover for its activities; and also that a main issue is one of political influence.

Shi'ism, the unorthodox branch of Islam, is the religion of some nine-tenths of the population, and thus provides not only natural gathering places in the mosques but also an expression of feeling after years of control over the freedom of speech and solace against the stresses of changes in society.

The Shah has been extraordinarily slow to recognise that the religiously based opposition is infinitely more dangerous than that of previous years, which had its foundations in intellectuals on the Left. Thus, as recently as June he was telling a visitor that the succession of demonstrations was caused by "a lot of mullahs pining for the seventh century." Thus Mr. Amouzegar made only low-level contacts with religious leaders (unlike his predecessor, Mr. Amir Abbas Hoveida, now Court Minister). In some ways, the Shah has reacted too late. His appointment of Mr. Jaafar Sharif-Emami was a blatant attempt to appease the moderate ayotallahs and thereby reduce the influence of ayatollah Ruhallah Khomeini—the only opposition leader to have called openly for the Shah's overthrow —in exile in Nejef in Iraq since 1963 and with an immense following within Iran. The new Prime Minister, in his opening statement, said that his Government would be "bowing before religious precepts and (show) definite respect for the religious community and Islamic decrees." Among his first actions were the closure of gambling casinos and the reintroduction of the Islamic calendar.

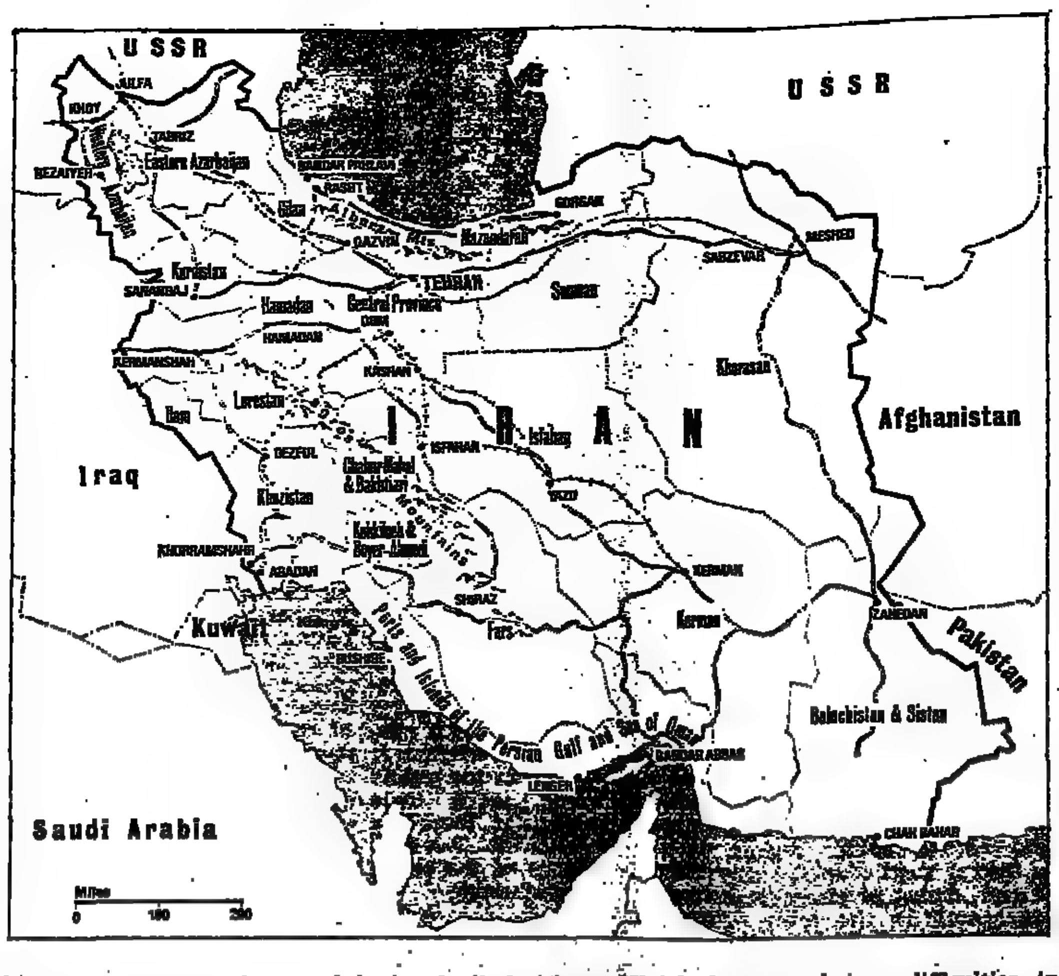
In spite of the depth of the Shah's troubles, it is premature to conclude that his reign is now coming to an end. In his favour is the fact of his being a monarch, and that he has been manoeuvring on the political scene longer than any other of his contemporaries. Furthermore, as far as can be divined beyond informed guesswork and rumour, he still has the backing of SAVAK and the armed forces (although demonstrators have been making deliberate attempts, not without visible success, to win their support in the streets). And Iran remains too crucial to the U.S. in its pivotal position on the border of the Soviet Union and the Gulf and in the strength of its armed forces in protecting oil lanes.

Diminishing

Yet the exercise on which the Shah is embarking is both irrevocably diminishing his authority and is basically contradictory. This was expressed inadvertently and succinctly by an aide who talked of the aim of the political experiment as being "democracy plus the Shah." It is the incompatability of these two concepts which the opposition is overtly trying to exploit.

By forcing the Shah to announce martial law (the first town for 25 years where this was imposed was Isfahan), and to continue to say gamely that liberalisation will continue, his opponents are driving him into the position of undermining yet further his political credibility. So that if events follow the plan mapped out by his opponents, they will have visible proof in troops on the streets, curfews and bloody clashes that the Shah was not serious about his experiment in the first place.

Economy slows down



AFTER THE heady days of boom following the 1973 oil price rises Iran's economy is going through the difficult process of finding what can loosely be described as its natural level. The real growth rate of the Gross National Product (GNP) in 1977-78 (the financial year begins in March) showed only a small increase of 2.8 per cent according to the annual report of the Governor of Bank Markazi Iran—the central bank (CBI). And this was only achieved after a downwards revision of the previous year's GNP figure. By comparison growth rates of 33.9 per cent and 41.6 per cent were recorded in 1973-74 and 1974-75.

One major cause of the slowdown was a seven per cent fall in value added in the oil sector, reflecting a decline in oil demand as the major industrialised nations reduced their economic activity, embarked on energy conservation measures and turned to sources of oil outside the main OPEC producers. Within the country there was a poor agricultural season, and limited industrial growth, partly resulting from last year's fall in demand and power cuts.

At the same time the slowdown was also part of deliberate policy by the then Government of Mr. Jamshid Amouzegar, reflecting concern at the damaging social and political effects of inflation, and the need to restore a balance between supply and demand. But these tactics required a delicate touch, for during the period of boom expectations were deliberately over-encouraged, and the disappointment that Iran's earlier growth rates with the benefits it produced for many sectors of the economy were not continuing at the same pace has been a major factor in the growing unrest. As an additional problem, it led to considerable uncertainty in the business community and private investment fell considerably.

The major assault has been on inflation. In the middle of last month Mr. Amouzegar proudly proclaimed that in the month of Tir (June-July), the rate had fallen to 7.0 per cent, compared with 30.8 per cent one year before. While many would dispute the way in which the CBI computes this figure, the rate should average out over the year at between 15 and 18 per cent.

This reduction in inflation has been achieved against a background under which the Government both slightly reflated the economy and cut back on subsidies. Towards the end of the fiscal year 1977-78 both current and capital disbursements were running well below budgeted levels.

But in February and March a decision was taken to give some impetus to a stagnating economy, by The Imperial Commission which recommended that certain priority programmes should be advanced even at the cost of the policy of restraint, and it was felt necessary to speed up expenditure on certain projects of the 1973-78 Fifth Plan before the end of the fiscal year. As a result spending was accelerated so that the budget was eventually *fully* disbursed.

Under the terms of the budget for 1978-79 basic food subsidies are to be reduced by 22 per cent to under $1bn.

To some extent Iran's inflation rate depends on outside factors such as the import of capital and consumer goods. The CBI wholesale price index shows that the rate of increase in the cost of imported goods in 1977-1978 returned for a while to the 1974-75 level of just over 12 per cent but has since reached 13.9 per cent in May-June of this year.

But in the consumer price index the most notable contribution to the reduction in inflation has been in the cost of housing and fuel. Here, after a peak of 36.3 per cent in 1977-1978, an actual drop of 1.3 per cent was recorded in May-June of this year. This was the result of deliberate efforts by the Government to combat real estate speculation.

A two-pronged approach was made through legislation. The first aimed at penalising proprietors for leaving houses and flats empty. According to one source this had the effect last month of reducing prices by between 30 and 40 per cent in the top price brackets, although demand for lower cost housing remains as high as ever. The second was to determine officially the price of land and threaten to prosecute owners trying to sell above it. This reportedly had the effect of reducing some land prices by 50 per cent below the top prices.

Furthermore, this assault on profiteering, which was backed up by CBI-directed control of credits by direct instruction and by the raising of interest rates to banks helping the housing and construction sectors by 3 per cent, had an additional effect in reducing the cost of cement and steel which became less in demand.

The Government intervened in other ways too. Money was kept on a tighter rein so that in 1977-78 its growth rate was 29.3 per cent compared with CBI figures for 36.9 per cent a year earlier. In addition, it strove to ease the crucial and costly bottlenecks of power crises and labour shortage. Furthermore, in broad terms it had some success on reducing the rate at which wages rose. Thus between 1976 and 1977 the increase in wages to construction workers fell from 39 to 34 per cent, and to industrial workers (the two sectors which are used as general guidance) from 29 to 25 per cent.

These actions reflect the style of the Amouzegar Government, which was appointed in August last year. The Tehran Journal reported on August 23 that the then Prime Minister "recently wrote to all Ministers, Government organisations and State-owned companies emphasising the need to avoid any financial wastage in the future." He stressed the need to be economically minded, and said that "officials will have to review the progress of current development projects in detail before submitting their budget proposals. Applications for new projects should concern those which as first priority can utilise local resources and manpower." The central effect has been a brake on the launching of any new large projects and concentration on the completion of existing ones.

But while the Government of Mr. Amouzegar appeared to have its short-term intentions organised, its long-term planning is in total confusion. Official documents talk of the 1973-78 plan as if it were a hard and fast script which is the basis of all decisions. Officials are reluctant, however, to talk about this plan, and the Sixth Development Plan for 1978-83 appears to be caught between the dilemma of defining specific targets or general guidelines, enmeshed in even longer term projections for perhaps the next two decades.

As a result the annual budget has assumed a more important role, albeit in some aspects notionally, as a guide to short-term priorities and intentions. In the 1978-79 budget expenditure was scheduled at $59.27bn, a rise of 16.9 per cent over the previous year's figure of $50.69bn. Revenue for these two years rose by a similar proportion from $48.96bn to $57.3bn. Oil revenues were put at $21.87bn (compared with $20.37bn the year before). (The estimates for oil revenues differ in the budegetary estimates for both years from those done by the CBI for the balance of payments.)

The distribution of expenditure gives a guide to government priorities. Within the general budget, economic affairs receive the largest share—$17.12bn (40.16 per cent of the $42.62bn overall allocations); followed by defence with $9.94bn (23.3 per cent, a slight increase on the previous year); and social welfare $9.77bn. Within the economic sector the main allocations were power $4.43bn, education $4.28bn, transport and communication $3.38bn, oil $2.5bn and social security and welfare $2.3bn.

The Budget

The implications of this spending are potentially extremely serious for the economy. The visible deficit is $1.97bn, but within the calculations of receipts is the borrowing of $4.27bn domestically (up from $3.41bn the year before), and $4.43bn abroad ($3.32bn); of this the Government hopes to borrow $3.55bn locally and $2.13bn abroad. But the indications are that this effective and visible deficit of $10.67bn is likely to be considerably higher.

First, the budget—for sound tactical reasons—contains no estimates for wage rises. Secondly, while its estimates for oil revenues are as accurate as can be precisely predicted, it assumes that the income from tax revenue will rise by an enormous 46 per cent from $5.89bn to $8.9bn, twice the rate of the year before. In the previous year a debt of $5.5bn was 70 per cent financed domestically. But this year's debt, which could reach $16bn, could well be beyond the hopes of financing 50/50 home and abroad.

Iran's balance of payments statistics (which from year to year can undergo some fairly extensive internal readjustments) give some guidance as to the country's ability to cope with short and medium-term expenditures. Estimates released by the CBI at the end of July put oil income for 1977-78 at $20.74bn, falling slightly to $20.7bn in the following year. It also foresees an increase in the trade deficit (leaving aside the oil sector) from $17.18bn to $20.1bn.

Foreign borrowings for 1978-1979 are to rise from $2.31bn to $3bn—which would leave another $13bn to be found if the budgetary deficit turns out to be as bad as forecast. The overall effect of these circumstances is that the balance of payments is expected to move from a surplus of $2.2bn in 1977-1978 to a deficit of $900m.

However, as the article in this Survey on Iran's foreign borrowing indicates, this is no immediate cause for concern. Although lenders are beginning to take into account the question of political stability, Iran has no obvious difficulties in raising loans. First, its earnings *from oil (to be supplemented* later by products and gas) guarantee a steady income for a decade at the least. Secondly, its external debt service ratio is small—currently about 4 per cent.

The fact that oil revenue at present looks as if it may remain unchanged in current prices and that spending may increase will merely have the short-term effect of bringing nearer the day when external debts build up ($6.41bn according to the Bank for International Settlements at the end of 1977) and reduce reserves (a comfortable $11.04bn at the end of May).

This leaves open the long-term question as to wh[…] Iran is capable of changin[…] shape of its economy suffici[…] to sustain it beyond the […] when oil revenues will b[…] clining and the "Great Ci[…] tion" should be round […] corner. The official claim[…] that oil is already being re[…] in its role as the mainspri[…] the economy.

The budget notionally […]gests that its contributio[…] receipts fell from 41.6 per […] in 1977-78 to 38.2 per cen[…] following year. Non-Govern[…] estimates show that in […] former year it accounte[…] effect for 75 per cent of Go[…]ment revenues and 81 per […] of foreign exchange recei[…]

Much will depend on wh[…] the attempts to develop […]dustry will turn out to be […] economic and compe[…] otherwise the dependence […] rest largely with oil, an[…]sequently on the upcomin[…] and mining sectors.

The indications at the t[…] writing over the appointm[…] Mr. Jaafar Sharif-Emam[…] succeed Mr. Amouzegar s[…] that it was more of a po[…] rather than economic ap[…]ment. The former's […] statement indicated tha[…] general priorities had […] changed, and indeed […] simultaneously an analy[…] his predecessor's eco[…] achievements was made […] The new Prime Minister […] Mr. Mohammed Yegane[…] Minister of the Econom[…] Finance, and Mr. Reza A[…] Industry Minister, and al[…] Mr. Hassan Ali Mehran, […] recently made a deputy […]ing director of the Na[…] Iranian Oil Company in […] of the Plan and Budget […]

These appointments wo[…]dicate that unless p[…] circumstances demand […]cession, say, on social w[…] the general economic st[…] will be continued as befor[…] in the next five years […] sources hope for a mod[…]pansion of between 6 and […] cent in GNP.

Anthony McDer[…]

REVENUE AND EXPENDITURE (IR bn.)

	1975-76	1976-77	*1977-78	Percentage change from preceding year 1976-1977	1977-1978
Revenue	1,582	1,837	2,034	16	11
Oil and gas	†1,247	1,422	1,498	14	5
Other revenue	335	415	536	24	29
Direct taxes	153	190	230	24	21
Indirect taxes	110	142	197	29	38
Other	72	83	110	15	32
Expenditure	1,523	1,812	2,415	19	33
Current	993	1,091	1,363	10	25
Fixed investment credits‡	530	721	1,052	36	46
Balance	59	24	−380		
Expenditure less other revenue	1,188	1,398	1,878		

Source: Ministry of Economic Affairs and Finance.

* Preliminary estimates. † Includes payment in arrear of IR 95 bn by the Consortium of Oil Companies in respect of 1974-75 petroleum sales. ‡ Excludes investment abroad.

BALANCE OF TRADE

($m at current prices)

	1976-77	1977-78	19[…] (proj[…])
Oil exports	20,488	20,735	[illegible]
Non-oil exports*	655	786	[illegible]
Total exports (excluding services)	21,144	21,521	[illegible]
Total imports (excluding services)	−16,060	−17,968	[illegible]
Trade balance	5,084	3,553	[illegible]

* Unadjusted; hence the difference from non-oil exports in T[…]

Source: Central Bank of Iran data.

Well-equipped defence force

IN DISCUSSING his defence strategy towards his super-power neighbour to the north, the Soviet Union, the Shah has always spoken in terms of "a lock on the door" to hold up the invasion until help arrived from the U.S. The key in the lock was turned another stage recently with the reported completion of the chain of American supplied and manned secret listening posts and early warning domes all along the Caspian heights.

Coupled with President Carter's New Year reassurances in Tehran on the unshakeable American commitment to Iran's defence, the Shah has been able to rest a little easier—and perhaps take more calmly what his generals see as fresh evidence of Soviet pressures aimed eventually at fulfilling the Iranian monarch's long-standing fear of encirclement.

The continuing conflict in the Horn of Africa and the Left-wing coup in Afghanistan (where senior Iranian officials fear a two-stage revolution, putting Moscow firmly in the seat) have coincided with a fresh spurt in the arms procurement programme. Firm orders placed for the three armed services total over $7bn—with the navy, for the first time, taking the largest share.

Formidable

By the mid-1980s, the target date for the completion of the build-up in each service, Iran will have accumulated a formidable arsenal of some 3,000 tanks, 700 frontline aircraft and 60 warships. Equally important, it aims to be largely self-sufficient in terms of ordnance, spare parts for the ground forces and repair facilities.

If all goes well at home, the Shah hopes to hand over to Crown Prince Reza around that time, giving him a well disciplined and well equipped fighting force, more than a match for any in the region with the exception of the Soviet Union. Underlying all calculations on expenditure and absorption rates is the abdication date the Shah keeps to himself and his determination not to allow a repetition of the deeply humiliating events of 1941 when the British and Soviet occupation of Iran met virtually no resistance, and he succeeded to the throne, after his father had abdicated.

Within this parameter, defence spending is likely to be maintained at its present level of over 10 per cent of GNP and 23 per cent of the annual budget for at least the next three to four years. The figures are notional since they probably do not take into account infrastructure spending and the high percentage of foreign payments to be met through oil barter deals.

Infrastructure and training in fact command a higher proportion of the defence budget than is commonly realised. According to General Hassan Toufanian, the Vice-Minister of War and head of the arms procurement programme, infrastructure takes approximately 40 per cent and training another 20 per cent. Assuming that salaries for the 90,000-odd professional servicemen, a well paid and well cared for caste, eat up the remaining slice of the budget, it becomes apparent that the purchase of equipment represents one of the large unaccountable gaps that appear all over the national balance sheets.

Iran's ability to maintain progress payments of approximately $1bn a year for new weapons from abroad and another $500m or so for bases, military industries, accommodation and support facilities of all kinds depends crucially on the willingness of Western suppliers to accept payment in oil. Foreign experts estimate that in future all deals worth over $150m may have to be paid for in oil.

In the past year two deals have been finalised, both based on the parallel oil sales arrangement whereby the seller agrees to find an oil company willing to take extra quantities of Iranian crude to the value of the military contract. Payment for the oil is used to finance work on the contract. After long delays Nepco is lifting oil, on exceptional 120-day credit terms, to allow the American contractors Brown and Root to build Iran's open seas naval base at Chabahar. In turn, General Dynamics brought in Ashland Oil to help Iran finance the purchase of an initial 160 F-16 lightweight fighter aircraft.

Britain has agreed in principle to take oil in return for the foreign exchange costs of the mammoth ordnance and tank spare parts complex under construction by a Wimpey-Laing consortium near Isfahan. A breakthrough earlier this year ended many months of dispute over costs and payments, as well as delays from drastic changes of plan. Although other European companies have been awarded responsibility for several smaller projects on the site, the lion's share, worth perhaps $1.4bn, has remained with Britain.

In the process of resolving the misunderstandings over the Isfahan complex and the embarrassing scandal of the Racal bribery case—for months "a pin on the Shah's chair whenever he sat down" as one diplomat described it—the British Government has evolved a closer relationship with Iran on arms supplies, mainly to take care of the development and supply of the new model Chieftain tank, the Sher Iran.

International Military Sales (IMS) has replaced Millbank Technical Services (MTS), the former Crown Agents subsidiary now fully absorbed into the Ministry of Defence. The British Government formally takes responsibility for quality control, and the need for letters of credit and bank guarantees is eliminated. Reassurances have also been given that no agents or even consultants will be used.

Unhappy

No commission payments means no repetition of the unhappy situation in January when Iran publicly demanded that Britain repay all sums paid out in connection with arms sales. In practice it was agreed to narrow down the demand to the £1m consultancy fee given to Sir Shahpour Reporter for his help in winning the original Chieftain tank contract, and the Clansman tank radio payment at the heart of the Racal case. The dispute is blowing over as both countries pursue Sir Shahpour with large tax demands.

The bulk of British defence sales to Iran centre on the Chieftain tank and its successor, the Sher Iran, with its revolutionary Chobham armour and upgraded Rolls-Royce engine. Deliveries are a military secret but out of the grand total of over 2,200 ordered it is believed that about 800 are in service. Agreement has been reached on the construction of a $380m tank repair base at Dorud, near Khorramabad in the west. However, the planned purchase of over 1,000 tank transporters using British Leyland chassis and Rolls-Royce engines, probably locally assembled, has been held up pending a decision on the local manufacture of a family of RR engines.

On the aviation side British hopes of selling the Harrier jump-jet to the Iran navy, along with a through-deck carrier, have collapsed with General Toufanian's decision that the aircraft has an unacceptably high number of accidents per flying hours. Iran now plans to wait for an improved, possibly American, version. Instead Britain is now promoting the Hawk advanced trainer aircraft, on the grounds that the cost of pilot training in the U.S. will eventually prove prohibitive.

But for the moment the American monopoly of military aircraft sales remains intact. Orders worth $2.9bn currently await Administration and Congressional approval — for a second order of 140 F-16 fighters, another 70 Tomcat F-14s to challenge Iraq's Soviet-supplied Mig-23s at an expensive $18m each, and 31 Wild Weasel F-4s, the reconnaissance version of the Phantom. One recent important strategic decision, saving several billion dollars, is to extend the life of the 250 Phantoms already in service well into the 1990s through a programme of wing fatigue modifications and the replacement of outdated equipment.

Although the U.S. Administration has no country ceiling for arms sales, President Carter's imposition of a global limit left American naval shipbuilders frustrated, Iranians believe, when it became apparent a few months ago that the go-ahead for a massive naval build-up had been given.

In 1976 the navy had suffered the double blow of a corruption scandal that severely shook its top echelon and a cutback in its operational horizons to being merely a Gulf and adjacent waters force. Now the trend has swung back again, and the modern frigates and submarines on order indicate that the Shah sees his navy playing a "blue water" role throughout the western Indian Ocean within the decade.

The first of three American Tang class submarines is due for delivery next summer. They will be supported by an initial six West German light submarines from the 209 class. Altogether over 60 vessels are currently on order. Add those for which preliminary discussions have begun and the fleet swells to four times its present size. Inevitably the most acute shortage will be in trained manpower, for which a new naval academy on the Caspian, built and staffed by Britain's IMS, is expected to help compensate.

Significant

The completion of the main Bandar Abbas naval base, with its dry-docks and comprehensive repair facilities, marked a significant step towards self-reliance. Effectively the Iranian navy already controls the Gulf—just as in the air it gained formal authority over traffic routes on January 1 last. Its ships patrol the narrow Straits of Hormuz above the waterline; while below its plans call for a line of sensors along the seabed, linked to a monitoring station on the mainland to complete the set of controls.

Despite three-and a half years of "correct and polite" relations with Iraq, their Soviet-armed neighbour remains the most likely enemy in Iranian defence plans. Naval exercises are based on this scenario. Tank units remain concentrated along the western frontier with Iraq.

The Afghan coup provoked hawkish noises by the Iranian military establishment but made surprisingly little difference to the deployment of ground forces. Meanwhile to the north Iran maintains only a thin spread of Saracan armoured cars, backed by several fighter squadrons some way from the border. The July shooting down of two training helicopters which inadvertently strayed across the border was a sharp reminder of Soviet alertness.

Although maintenance and training will remain the weak points for some years to come, the Shah's confidence in Iran's military weight is growing steadily. His brief and half-hearted intervention on Somalia's side in the Ogaden conflict with Ethiopia was in retrospect miscalculated. But it was an instance of the Iranian perception of its sphere of influence in the coming years.

Self-reliance is the keynote—from the 5,000 tons of explosives turned out annually by the Parchin works, west of Tehran, through the sophisticated missiles to be assembled outside Shiraz to the Chieftain gun barrels that the Isfahan complex will produce.

Whereas the officer corps in Iran have always formed a tightly knit and intensely loyal caste, the Shah is now creating a new middle class through the half-a-million military workers, ordinary servicemen and their dependants: an extremely well cared for class, distanced from the conservative influence of Islam and subject to the new religion of technology. Through military industries the aim is to lay the ground for civilian technology to develop around the core now being established.

Andrew Whitley

Banking system settles down

THE SCENE at Bank Melli's foreign exchange counter was discouraging. Harassed staff were struggling to cope with a milling impatient crowd, most of them immigrant Indian and Pakistani labourers sending part of their wages home. Many had waited for over two hours at the State-owned bank's central branch on Tehran's Ferdowsi Avenue. But slow and inefficient though it is at the best of times, the bank this time at least had the valid excuse that the hold-up was caused by modernisation; it was computerising its foreign dealings.

Modern banking techniques have been available in Iran for a few years now through the small new banks anxious to attract custom and with access to foreign expertise. A senior bank official boasted how Bank Omran (owned wholly by the Shah's charity trust) had a telephone cheque cashing service—something not available even in such a leading bank centre as Switzerland. But Bank Melli is the leviathan of the system, with nearly a third of all deposits and 1,767 branches.

Stock

As the pace of growth in Iran slows down and the heat disappears from the economy, the banking system is taking stock of its position after five hectic years. "We were running very hard last year just to stand still," one manager said.

Looking back the weaknesses are obvious. The commercial banks' credit system is too crude and inflexible; there are far too few trained staff and managers; many banks are stuck with too high a proportion of fixed assets, especially land and property in what is now a depressed market; and many are overextended on their foreign borrowings.

Annual profits of 60 per cent and 70 per cent are now down to a more manageable 20 per cent on average. The growth of money supply is also coming under control, even though there is still considerable surplus liquidity flowing in and out of the country. At the central bank, the CBI, a top executive commented with satisfaction that the brakes were working very well.

Although the CBI has always had the controls and the instruments of its power have theoretically been in force for some time—reserve requirements ratios of paid-up capital to loans and of assets to foreign borrowings, for example—it is only in the past year that it has become both tough and effective.

At its simplest the problem is that a small number of prominent Iranians have controlling interests in most of the 26 commercial banks and three specialised private banks and the CBI did not dare to enforce its wishes indiscriminately. The new Governor, Yussef Khoshkish, was expected to be not all that forceful but in fact is proving that he is his own master.

Depending on the soundness of their balance sheets, the banks' reactions to the display of CBI muscle have varied widely. Many were horrified when the enforcement of the circular declaring that the net foreign position could be no more than the equivalent of a bank's assets and reserves was quickly followed by another saying that the ratio would have to be cut to 50 per cent.

To evade the monetary controls at home many banks had borrowed heavily overseas. Several were caught out badly in the wild fluctuations of exchange rates of recent years. Bank Shahriar is thought to have made a \$10m loss on foreign exchange last year, on declared profits of \$14m. Industry sources say Bank Pars suffered likewise two years ago.

The CBI's policy has been likened by one foreign banker to "letting off a shotgun blast, then waiting to see the result." Nevertheless it has also shown itself willing to be flexible, and to make accommodations with banks in difficulty. It would never allow a bankruptcy to take place, believing that confidence in the system is still too weak to withstand such a shock. Bad management is understood to have brought several banks near the brink recently.

The most celebrated phenomenon of the past year, which kept the bankers buzzing but was only referred to in the most indirect way in public, was the rise and fall of a self-made millionaire who "got too big for his boots" as one banker put it, and then crossed the path of Iran's Muslim clergy. Hozhabr Yazdani is a prominent member of Baha'i, an eclectic religious sect treated as heretical by orthodox Moslems and regarded with suspicion in the country. Having made his fortune from army livestock contracts, he moved first into industry and then into banking.

In his heyday, around the turn of the year, he had a 51 per cent stake in the medium-sized Iranians Bank, an interest in the Irano-British Bank, was maneouvring to take over the Shahriar Bank, and had just increased his holdings in Bank Saderat, the country's largest private chain, to a controlling 26 per cent. Bank Saderat has close bazaar and mosque links, and on orders from the Shi'a leadership a sustained withdrawal of deposits developed. Alarmed, the CBI replaced the bank's funds as soon as they were taken out.

In the end the CBI "remembered" its rule that no individual is allowed to hold interests in more than one bank. It was whispered that the Shah personally told Yazdani to sell out, and it was publicly announced that he was doing so. Saderat itself is thought to have bought up the shares from the stock exchange and Yazdani made a large profit. At the same time his companies are said still to owe the bank several hundred million dollars.

For the foreseeable future the CBI will be maintaining its tight controls. In the year ended March last commercial bank credits to the private sector grew by 24 per cent. This year 23 per cent will be permitted. The general guideline to the banks is no more than 20 per cent for commercial lending and 30 per cent for favoured areas such as agriculture and construction. The CBI is also showing itself more resistant to the usual end-of-year arm twisting, whereby a bank that has used up its quota of domestic lending or foreign borrowing early in the year could be allowed a little more.

As the commercial banks have a 60 per cent reserve requirement with the CBI for new time deposits and 30 per cent for current accounts and the bank rate remains at the record 10 per cent it has been at for over 12 months, bank managers, not surprisingly, show little enthusiasm for the flood of new deposits they have been getting. Put that together with the need to increase paid-up capital and the squeeze on the system to get it into shape becomes clear.

"If the central bank were to relax the controls, the whole thing would get out of control again," a foreign banker commented. As it is the market shares of the established banks have become fairly well defined and little change is likely in the overall picture, even though some new banks have been growing aggressively.

The big three—Bank Melli, Saderat and Sepah (owned by the army pension fund)—together control about 65 per cent of all deposits. In the middle are a number of medium-sized joint-venture banks established in the 1950s when the ban[k] foreign investments was li[f] and at the bottom ten s[m] banks contest an 18 per [c] share of the total.

With modern services good management, excel[lent] profits can still be made. International Bank of Iran which Chase Manhattan ha[s] 35 per cent interest, m[ade] profits of \$7m in its first [year] of operation and increased t[o] to \$10m in the second year. [A]t the Iran-Arab Bank, t[otal] assets and loans grew f[rom] IR 5.2bn (\$74m) in the year to IR 8.8bn (\$126m) in second. Cyrus Samii, managing director, looks fo[r] per cent growth this yea[r] well.

Excess

The one new bank to established in the past y[ear] Bank Farhangian, will prob[ably] be the last permitted for [some] time. Its problem is a[n] excess of funds and as a r[esult] it has been putting up branches at a phenomenal [rate]. As no former interbank ma[rket] exists in Iran, there were h[opes] that Farhangian's spare ca[sh] might help the informal [in]stitute along. Until now main source has been [Bank] Melli itself.

Iran now has over 8,000 [bank] branches, double the nu[mber] five years ago, though growth rate is slowing d[own]. The present structure of [com]mercial and development b[anks] is expected to remain the [same] shape. On its fringes are 70 representative offices [of] foreign banks, some doing business in syndicated l[oans], others with correspondent [rela]tionships, others simply r[main]taining a presence in what once a bankers' boom tow[n] is now much more [quiet] indeed.

Andrew Whi[tley]

Foreign borrowing

AMONG OIL exporting (OPEC) countries, Iran is classified by the Bank for International Settlements as a "high absorber." By this is meant that it is able to absorb substantial parts of its foreign currency earnings into its own economy.

Like other high absorbers among the OPEC countries, it has also had significant recourse to foreign borrowing. Moreover, in contrast to many developing countries which for many years took most of their foreign currency inflows in the form of aid or export credits, Iran has long relied on commercial banks for a big part of its foreign currency funds.

Repay

When the oil revenues multiplied at the end of 1973, however, Iran took the opportunity to repay a large proportion of its private foreign bank debt (including a \$250m central Government loan raised from commercial banks earlier in 1973). The Iranian public sector's medium-term borrowings fell from a record \$780m in March, 1974, to \$303m in March, 1975, and \$250m in March, 1976. Since then they have picked up again substantially.

Up-to-date data on Iran's foreign debt and external financial position is difficult to get hold of. In contrast to most major borrowers on the medium-term Eurocurrency markets, it has not supplied general economic and financial data for the placing memoranda used by banks managing the loans to encourage other banks to participate in them. There is reportedly data available in the annual report of the central bank, published earlier this year in Pharsee but not yet available in English.

The most recent World Bank data are for March 1977 (see table). This shows only the funded debt of the public sector—that is, loans to public sector entities which were originally of at least one year's maturity. No private sector debt of any maturity is included in the World Bank's figures, while they also exclude short-term debt of the public sector.

Bankers suggest that since March 1977, the \$4.3bn figure for total disbursed funded public sector debt might have risen to \$5-6bn. On top of that, there is a significant private sector medium term debt—the development banks, which are classified as private sector (the Government holds only indirect minority stakes), have been among the most active bor-

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Industrial aims set too high

IRAN IS attempting to transform itself rapidly into an industrial urban society. It is doing this because the Shah hopes to restructure the economy before the exportable surplus of oil is depleted. The aim is to replace crude oil as one of the foreign currency earners by the export of industrial goods. But the goals set for industry are highly ambitious and Iran seems likely to fall in its objectives.

Examination of the future role of industry in the economy leads to a gloomy conclusion. Industrial strategy is based on the assumption, almost certainly false, that it is possible for a developing country like Iran to become a modern consumer society, able both to satisfy demand at home and at the same time to produce large surpluses for export. But Iran will probably have to accept that manufactured goods will never replace oil as a foreign currency earner and console itself with the import substitution benefits accruing from the industrial base of the future.

Fifteen years ago three-quarters of Iran's population dwelt in the countryside. Since then the number of people living in towns has risen from one quarter to almost half the total population.

So rapid has been the exodus from the countryside that only one third of the labour force is now employed in agriculture. In the towns a new class of industrial worker has emerged. His wages almost keep pace with inflation. The only reason he is unsatisfied with his spending power is because his tastes and aspirations are growing so rapidly. Each year the nation consumes 18-20 per cent more. Since income is five times higher per head in towns than in rural areas urban consumption must be rising many times more rapidly than 20 per cent.

Another indication of the speed of industrialisation is investment. Last year's real growth of investment was only 5 per cent but this is not surprising in an overheated economy. Total industrial investment last year (March 1977-March 1978) was 310bn riyals ($4.4bn) which in absolute terms is substantial. Industrial loans and credits from the specialised banks totalled 44bn riyals ($0.63bn). New permits for industries totalled 572 (with proposed capital of 54bn riyals —$0.77bn) and 171 new manufacturing companies (mainly textiles, clothing and metal tools) went into operation (capitalised at 50bn riyals — $0.71bn). Industry's share of value added has been rising steadily (at the expense of agriculture) and is now one fifth of the total (more than twice that of agriculture).

One fifth of the 10m working Iranians are employed in manufacturing. These workers plus one third of the 9m people currently being processed in the education system are the lifeblood of the Shah's plans for Iran's metamorphosis into an industrial giant. These industrial ambitions explain why the urban proletariat is the elite of Iran's less privileged people. Two years ago their wages were rising at 30 per cent a year. Last year despite a real growth in industrial productivity of less than 9 per cent industrial wages went up more than 25 per cent.

In addition they receive bonuses equal for four months salary in many cases and companies have to pay this regardless of profits.

Current production of steel from pig iron is about 600,000 tonnes. If plans for new mills are fulfilled Iran hopes to produce 10m tonnes of steel per annum in five years' time. The country's cement industry should have produced 10m tonnes by the end of this year. Iran wants to double this by the mid-80s.

Similar sweeping targets across the sectors were set for the fifth five year plan, which ended in March this year, but were not for the most part fulfilled. To cite one example, last year's target for cotton textile production—one of Iran's largest well-established industries—was 960m metres. Actual output for a variety of reasons was less than half that figure, 450m metres, which itself was 25 per cent down on the figure of three years before.

The trouble with production targets in Third World countries is that they tend to be thought up with politics in mind rather than economics. Failures in Iranian industry like that in textile manufacture last year were not caused simply by industrial factors (like bad management, and lack of investment) but by power cuts, high cotton prices and shortage of labour, the responsibility for which lay with the planners who set targets too ambitious for resources.

For example, the unsatisfactory performance and unprofitability of Isfahan's Aryamehr iron and steel plant (which has caused sufficient embarrassment for figures of production capacity to be retailored each year in semi-official documents to suit actual output), lies in the old-fashion Russian design. The Steel Industries Corporation is confident that the direct gas reduction system in three new mills will work much more smoothly. The Pahlavi complex at Ahwaz began first unit production in March, 1977, and the Isfahan complex has just started construction (as has the 3m-tonne plant at Bandar Abbas).

Considering simple changes in output on a three year basis (from 1974-75 to 1977-78) for the entire range of manufactured goods and, leaving aside failure to reach targets, the picture of industry has encouraging aspects. Canned fruits and vegetables, cotton and synthetic textiles and steel show falls in production around 20-25 per cent. Virtually all the other sectors—food processing, cigarettes, footwear, pharmaceuticals, paints, detergents, fertilisers, building materials, manufactured and assembled machinery, motor cars, trucks, tyres and home appliances—reveal production rises which vary from steady to the substantial to the spectacular.

But Iran's Government does not seem to have a fully co-ordinated view of where it is going with industry. Two years ago it introduced, at the Shah's behest, a share participation scheme to enable workers to take up 49 per cent shareholding in the country's largest manufacturing companies (320 of them with sales above 240m riyals ($8m) or share capital above 100m riyals).

Meanwhile price controls had been imposed simultaneously with the blanket removal of import restrictions. This exposed factories to foreign competition which predictably caused losses among many companies. An extreme example was a joint venture tyre maker last year which made losses of 210m riyals rising to 260m riyals ($3.5m) because of the compulsory bonus scheme for workers.

Such an industrial climate naturally caused investment confidence to slump. A period of high inflation, reduced profitability and low investor confidence was a singularly odd time to choose to float a quasi-socialist worker benefit scheme designed to persuade the labour force that harder work means more profits. Because of the Government's institutional set-up to lend workers money to buy the shares about half the employees eligible bought shares but only for a small proportion of the total capitalisation value, leaving the rest in the limbo of the special institutional bodies.

These are not the only apparent inconsistencies of applied policy. Another reason for the shortcomings in the cotton textile industry is that it was unable to compete abroad and could not defend itself even at home in the face of competition from imported materials from countries like South Korea. The officially held view that Iran's three key disadvantages are high cost and shortage of skilled labour, and lack of power is indisputable. The belief that one of the benefits for the export-orientated industrial strategy is the large labour force can certainly also be challenged.

In an interview Mr. Muhamed Reza Amin, Minister of Industry of Mines, said he saw Iran's three advantages in the long term as its mineral resources, energy supplies and the large potential labour force of the future. It is true, as the Minister points out, that "the large human element currently in the educational system" will come on stream in two years or so but the increased labour force under Iranian conditions has a two-edged effect.

It is precisely at this point that industrial strategy falls down. Industry in Iran is healthy because of surging domestic demand as villagers leave the countryside and take up well-paid factory and construction jobs. Not only is demand increasing as the proportion of urban dwellers goes up but their individual consumption rises as industrialisation creates more disposable income. This raising of aspirations, consumption and living standards, is, after all, the purpose of the exercise.

Export possibilities predicted four years ago have been completely wiped out by new local demand. Despite increases in almost all sectors of industry output has failed to meet demand and imports have risen. This pattern will not change. Consumption will continue to rise. The labour force in the pipeline is the consumer force of the future. It will absorb a steadily larger proportion of domestic output leaving less for export.

A senior official at the Ministry of Industry said he hoped that non-oil exports would rise from $600m last year to $6bn in 10 years. This would not touch the future earnings of oil, even if it were a realistic prediction. Non-oil exports last year had dropped 14 per cent from 1976, a pattern of decline which looks likely to continue as domestic consumption rises. The best that Iran can hope for is the knowledge that oil revenues invested in industry will have been well spent on future import substitution for the time when diminishing oil revenues (and leaving aside other hydrocarbons - related earnings) reduce the nation's purchasing power abroad.

Michael Tingay

Foreign borrowing

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rowers of medium term Euro-currency funds.

The level of other debt is extremely difficult to assess. The latest Bank for International Settlements figures (for end-1977) show that major international banks had $6.4bn out in loans to Iran. This would suggest perhaps a further $4-5bn of borrowing on top of the $5-6bn public sector borrowing one can deduce from the World Bank. Over $3bn is recorded as due to be repaid in 1978: given the low level of earlier medium-term borrowing a substantial majority of this may be assumed to be short-term debt with an original maturity of under a year—trade finance and the like.

This suggests that Iran's total foreign currency debt is some $10bn-$12bn. Taken in the context of Iran's overall economic position, this figure is not high. Exports of goods and services last year amounted to $28bn. Even assuming that Iran had to repay all the debt which technically matures this year—say around $4bn—the ratio of repayments to exports is still low by the standards of most borrowers of comparable size.

On top of this, Iran has large reserves of foreign currency—estimated by bankers at about $10bn currently, after recent falls.

The basic external position, then, is extremely strong and this explains the fact that Iranian borrowers command among the finest rates in the market. The most recent major Government-guaranteed credit to be completed, $270m for 10 years, offered margins of [illegible] per cent over interbank rates. Only countries like Britain and France had done better.

Among a plethora of potential borrowers which are quoted for Iran the Agricultural Development Bank is expected by bankers to tap the medium-term market next. The other big borrower tipped for the forseeable future is the National Telecommunications Company (TCI), but since this borrower has as yet drawn down only $110m of the $250m it arranged last year, a further financing is not expected until early next year. National Petrochemical Company is also expected early next year.

It is also thought possible that the Iranian Government might seek to renegotiate on more favourable terms the $500m loan it signed in January, 1977, though no formal proposals have yet been made.

If anything, bankers expect the policy of the new government to slow down the rate of borrowing, though they are waiting for reassessments to emerge in the next couple of months before drawing final conclusions. The last Government launched a more ambitious programme than its predecessors; this bankers expect to see partially reversed. They expect a number of prestige projects which would have needed foreign finance to be quietly shelved or to be effectively postponed. The proposed new airport at Tehran is one example.

One major uncertainty which had overhung Iran's Euro-currency borrowing for months in 1976—and left a bad taste behind it — was the legal problem associated with the Iranian Government's $500m borrowing.

The legal problem arose from an article in the constitution requiring Parliamentary approval to be given for each individual foreign borrowing by the Government or by a public sector agency. The need for such permission was apparently written into the constitution because 19th century Qajar Shahs were inclined to pawn the country's future to foreign lenders (at one time they gave the Russian Government the right to oversee the terms of future foreign loans).

Until the mid-1960s this provision of the constitution caused no problem, but as the scale of foreign borrowing picked up, the giving of approvals was deputed to the Council of Ministers. When the central Government loans was under negotiation in 1976, some local lawyers for the lending banks decided that the Parliament might not have the constitutional right to sign away its duties like this and that the loan could be claimed invalid.

In other words, should Iran at any stage be looking for grounds on which to renege on its borrowings, it could claim that loans which had not been approved by Parliament were constitutionally invalid and therefore not repayable.

This problem delayed the completion of the loan for some months. The final solution was that Iran's Minister of Justice issued a one-time opinion approving the delegation of power from Parliament.

The significance of this move was that it would make it very difficult for any future Iranian Government to use the lack of Parliamentary approval as an excuse for reneging—or, perhaps more accurately, it would protect the lead managing banks from allegations from shareholders or syndicate members that they had failed to pay due care and attention.

The big uncertainty surrounding the future of Iranian borrowing is the attitude of the banks to the recent political upheavals. Some banks would argue that these mean that Iran does not justify its virtually prime rating (though whether from greed or principle is arguable). There are banks which say they simply will not commit any new funds to Iran at the present time.

Others, however, have long since discounted the likelihood of some political and social unrest, and what has been happening is no worse than they have long assumed would happen at some stage.

Mary Campbell

Agricultural depression

IRAN'S food imports cost more than six times the value of its total agricultural exports. Although in absolute terms farm production has undergone great improvement since the land reform 15 years ago, population increase, migration to the cities and massive changes in the pattern of food consumption have come to make Iran's goal of achieving equilibrium between imports and domestic production seem unrealistic.

For the moment, farming remains in a state of depression. The Government remains indecisive about how best to overcome the basic constraints on farm production—lack of water and shortage of arable land and manpower. Fundamental aims to harness and control water resources still apply but the failure of many ambitious projects has aroused controversy about how modern farming techniques should be applied. But despite a number of bankruptcies in agribusiness the Government remains committed to the concept of "bigger is better."

The failure of the agricultural sector to keep up with the rest of the economy—it was virtually ignored until it became a political issue last year—has led to changes in the agricultural administration. Last year a new and more broadly-based Ministry was created but policy-making is marred by frequent changes of bosses. The administrative approach to agriculture is haphazard. The most recent policy change, for example, was a Government retreat from a direct role in production and business.

Wheat

But the Government fails to offer policy direction within which the private sector can plan. At the same time it has been obliged to take over a number of failing projects which were intended to be the model for private farming. Unless the Government finds real direction Iran's agricultural growth will lag further and further behind the rest of the economy.

Iran grows more than 5m tonnes of wheat a year, the output varying according to the rainfall on unirrigated plains. Each year it has to import 1m-1.5m tonnes, which it buys mainly in the U.S. In 1977-78 Iran produced four-fifths of its wheat requirements, less than two-thirds of its needs in feed grain, three-quarters of barley needs and slightly more than half of its rice. Output of vegetable oils satisfied only one-fifth of demand, and sugar 60 per cent.

It is self-sufficient in pulses and potatoes but increasing local demand for fruits is reducing the supply of fresh fruit for drying. Animal production is healthier. Ninety per cent of demand for poultry and eggs is satisfied locally and dairy farms (one of the successful sectors), supply four-fifths of requirements in the towns.

These details would paint an optimistic picture if domestic production were moving slowly towards total fulfilment of demand. But 10 years ago Iran was an exporter of wheat, grains, rice, tea, sugar and cotton. Consumption is increasing at a rate which would tax the abilities of agriculture to maintain domestic supplies if farms were doing well. They are not. A report just published shows that this year's crops will register a decline almost across the board.

The decline can probably be traced back to the land reform more than a decade ago. When the land owners were obliged to hand over to the peasants numerous co-operatives were set up. The co-operatives lacked both technical and managerial skills and the Government was unable to meet the demand for agriculturalists at middle management level. Development was also hampered because the vast majority of the peasants were illiterate. This made extension services and the introduction of marketing skills even more difficult.

Iran's farm production has been increasingly less able to meet the needs of the city dwellers. In 15 years the proportion of Iran's population living in rural areas has dropped from 75 per cent to 52 per cent. Industrial expansion means that now only 34 per cent of the labour force works in the countryside.

At the same time the urban proletariat has totally changed its eating habits. Ten years ago townspeople ate rice and chicken once a week; farmers had that luxury only once a year. Today city dwellers have become accustomed to eating meat and rice dishes every day, while farming families have the same fare once a week.

The income of urban Iranians is so much higher that they now demand foodstuffs which were not in normal production ten years ago, like apples, oranges and potatoes. Ten years ago Iranians barely saw tomatoes. Now winter farming in the south means they demand soft fruits like tomatoes out of season.

The only sector where the Government has been successful is in animal protein production. Iran will never be self-sufficient in red meat (it is more economical in feed to produce poultry). But the country produces nearly threequarters of its red meat and meets 90 per cent of poultry and egg needs.

Assistance with grants and loans has stimulated a rapid increase in milk production near the cities. The Government pays the freight for the import of foreign cows—Holsteins are being flown in from the U.S. at the rate of 10,000 head a year.

Less than one fifth of Iran's land area, 31m hectares, is arable. Only 9m hectares, just over 5 per cent of the surface area, is cultivated. Despite completion of 13 dams since the land reform 15 years ago (six more are under construction and five more under study) less than half the cultivated area is irrigated.

An integral element of the policy of getting water to the farms is the increase in size of production units. The Government tries to do this in a variety of ways. It organises and channels assistance to more than 2m small farms of less than 10 hectares; 3,000 co-operatives exist to help with production and marketing; finance and marketing are offered to the next grade of farm size where four or more neighbours together hold 20 hectares or more. This is called group farming.

Forty production co-operatives have been established in which families retaining the titles to their lands co-ordinate marketing and production. The total land area under this system is 190,000 hectares. The creation of joint stock farm corporations has also been encouraged. Iran now has 95 such companies in which groups of villages have pooled land and resources in return for grants and loans for buildings, equipment and housing. About 400,000 hectares is cultivated in this way but success has been limited by lack of motivation among workers who become wage earners for the companies.

The Government is also trying to give more attention to the 18,000 private commercial farms (on 50 hectares or more) which account for a significant amount of production. It is now willing to pay for half the capital as grant and half as low interest loans for installation of sprinkler and drip irrigation systems.

The core of the past 10 years' agricultural strategy has been the establishment of agribusiness companies. This strategy has failed embarrassingly. After a decade in which a dozen or more huge production operations have been set up and most of the credit has been concentrated on infrastructure and agribusiness half the total value of agricultural production in Iran still comes from small farms under 10 hectares.

Seven giant establishments, mixed joint ventures which were to form the model for the future, are in Khuzestan, a distressingly hot province in the south-west. Only one of the seven is still afloat and under the original owner. This is International Agribusiness [...]poration of Iran (IACI). [...] other corporations inclu[...] Iran-America, Iran-Shellcot[...] Iran-California, complete [...] blue-chip shareholders (S[...] Mitchell Cotts, Bank of Am[...] and others) have been bo[...] up by the Government.

The cause of the bankrup[...] was lack of sound agricul[...] planning. The farms are [...]ducing but returns are [...]sufficient because of costs w[...] rose astronomically after [...] The Kuzestan Water and P[...] Authority (KWPA) bro[...] water to the area from the [...] but the farm companies h[...] finance secondary canals t[...] fields and the basic costs of [...] levelling. This cut down [...] margins of profit. Go[...]ment price controls checkin[...] the corporations financially [...] Government service com[...] through which they had t[...] imputs could not supply s[...] the quality and type neede[...]

Last year, when real gr[...] in agriculture was less th[...] per cent, the dismal state [...] sector became a highly ch[...] issue. The Government [...] changed and the Mini[...] reorganised. Co-operatives [...] rural affairs were com[...] with agriculture and na[...] resources to form the Mi[...] of Agriculture and [...] Development (MARD).

Planning

The administration [...] became the victim of [...] planning crisis and the Go[...]ment's inability to ratio[...] priorities and spending. [...] planning and budget org[...]tion could not afford to all[...] the 1,000-bn riyals ($14[...] requested by MARD for [...] sixth plan period. Since [...] sector managed to spend [...] than half of its fifth de[...]ment plan allocation the [...]jected allocation for 1978-[...] 450bn riyals ($6.4bn) [...] more realistic.

The agricultural malais[...] also been reflected ad[...]tratively. A new Ministe[...] appointed soon after [...] creation of MARD but he [...] remained in office until [...] month when the Govern[...] crisis forced the resignati[...] the Amouzegar govern[...] Policy-making is haphaza[...] say the least. In reaction t[...] much publicised failure [...] Government attempts at [...]mercial farming the Minis[...] Agriculture has vowed t[...] out of direct productio[...]

The most pitiful aspect [...] agricultural crisis is the f[...] of the administration to [...]alise the problems. Inste[...] formulating strategy f[...] fundamental increase of pr[...]tion by overcoming the [...]straints of land, water [...] labour the energies of [...] Ministry seem channelle[...] wards secondary issues.

Michael Ti[...]

AGRICULTURAL TRADE BALANCE

(bn riyals)

	1974-75 '000 metric tonnes	1974-75 value	1975-76 '000 metric tonnes	1975-76 value	1976-77 '000 metric tonnes	1976-77 value
IMPORTS						
Grains and cereals	2,053	35,317	2,076	36,516	1,227	20,927
Animal/vegetable fats/oil	256	15,315	268	19,962	277	10,536
Sugar and products	220	9,636	597	36,590	266	17,118
Fruit and nuts	241	5,416	377	8,567	471	11,397
EXPORTS						
Cotton	100	5,359	154	9,560	100	5.659
Fruit and nuts	116	4,849	128	5,170	103	4.951
Hides and skins	18	1,667	20	1,954	28	2,242

Source: Iran Customs foreign trade statistics.

Oil dependence still too high

KE MOST oil producing untries Iran has for long iven to end its dependence on e domination of foreign oil mpanies, and has simultan-usly pressed for the highest venues possible. Although er Saudi Arabia. It is the cond largest producer in the ganisation of Petroleum porting Countries (OPEC), it ffers from several real straints on achieving these neral goals of its oil strategy.

Firstly, Iran is not, in spite of size of its output, a pivotal oducer like Saudi Arabia. As result it is hard pressed to ay overall OPEC policies by production levels. Secondly, n falls into the category of a igh absorber" of revenue, in ier words it has little if any rgin between what it earns d what it spends on develop-nt. Again this makes it vul-able to pricing policies.

Thirdly, unless it chooses to rease production levels matically, it is generally koned that for the foresee-e future, production has ched a plateau—but one ich will be extended when gas injection systems for ondary recovery come into ion. Fourthly, although the tional Iranian Oil Company IOC) is expanding its oper-ons, concentrated on gas field elopment and the Sarvestan ield near Shira, outside those the Iran Oil Participants (as consortium is legally wn), it is clear that Iran will dependent on working exten-ely with foreign companies— least for manpower reasons certain specific and im-tant levels—for five years at most conservative estimates.

ombination

t is a combination of these tors which has led Iran to ve from among the ranks in EC of those pressing for a imum increase in oil prices. ow stands closely with Saudi bia in advocating the pos-ity of a modest—about 5 cent—rise in oil prices from beginning of next year and dual increases thereafter, in maintaining the dollar as basic accounting unit for price of oil.

here are three main com-ents to Iran's oil industry—C, the wholly-owned State pany set up following the ionalisations of 1951: the Oil vice Company of Iran CO), a service company lly-owned by the consortium employed by NIOC to ex-e and produce the country's n oil area in Khuzestan; and eries of joint ventures and ice contracts between NIOC foreign companies.

mong NIOC's main responsi-ties are the international keting of an increasing pro-tion of the oil from the zestan fields; of about half production of the four joint tures; the direction and ervision of OSCO; produc-of the Naft-e-Shah oil field he border between Iraq and province of Kermanshah (which has a capacity of 20,000 barrels/day); exploration and development of other NIOC-reserved areas; the domestic marketing of most petroleum products; and the operations of the domestic refineries. Since Mr. Hushang Ansary succeeded Dr. Manuchehr Eghbal, chair-man of NIOC for 14 years until his death at the end of last year, he has indicated that as well as trying to streamline the organisation, he would like it to expand its operations to include hotel-ownership, solar power and non-hydrocarbon mineral exploitation.

At the heart of the industry is the relationship between NIOC and the consortium, whose owners are BP 40 per cent, Royal Dutch Shell 14 per cent, Compagnie Francaise des Petroles (CFP) 6 per cent, Exxon, Gulf, Mobil, Standard Oil of California and Texaco each with 7 per cent; and the Iricon Agency (consisting of Atlantic Richfield 1⅔ per cent; American Independent Oil Com-pany, Getty and Charter each with 5/6 per cent; and Con-tinental and Standard Oil of Ohio each with 5/12 per cent).

The relationship is still—until re-negotiations are suc-cessful—governed largely by the sales and purchase agree-ment signed in Tehran in May 1973. The agreement handed over operations to NIOC, al-though OSCO was then formed to carry out exploration, drilling operation of the Khuzestan fields for an initial period of five years. It established too the terms under which NIOC would sell crude to the mem-bers of the consortium, while NIOC would be entitled to take the oil required for internal consumption and a "stated quantity" for export. It also specified the fees and condi-tions under which the consor-tium would purchase and export about 35,000 b/d of propane, butane and natural gasoline from an LPG plant at Bandar Mahshar; that NIOC and pro-cess up to 300,000 b/d of crude for the consortium at the Abadan refinery.

Not all the aspects of the agreement were carried out. For example, the statement in the agreement that the price and government revenues should be "no less favourable than those applicable to other countries in the Persian Gulf" was not enacted, and since the end of last year the consortium has suspended its purchase of the Abadan products. Further-more, OSCO had discovered that the exploitation of some of Iran's reserves would be more expen-sive than had been envisaged under the original terms for expanding production. At the same time, there is an under-standing that a new agreement is needed and that the basis for agreement lies with the benefits to Iran from OSCO's exporting and marketing sub-stantial amounts of Iranian crude, and on the expertise it is able to provide.

The most recent of several negotiating sessions this year ended in August (they are to be restarted later this month). NIOC maintains that they ended with all parties being close to a final agreement and this may well be true in that individual parts may be agreed only when all the main points of disagreement have been solved. To some extent there may have been some weakening in the interest in Iran of companies deeply involved elsewhere—such as the US companies participat-ing in Aramco in Saudi Arabia, and BP with its oil sources out-side the Middle East. But it is understood first that any agree-ment would probably have to be renegotiated after five years and that NIOC was seeking a com-mitment for average minimum offtake of 3.3m b/d.

Problems

Two main issues in particular are reported to have caused problems. The first was the "most favoured nation" clause which the Shah insisted was crucial, and which was to match not just the terms of Saudi Arabia's negotiations with Aramco but those of States out-side the Gulf. Secondly, NIOC wanted a discount allowance to be accorded as it applied to the volume lifted for the consor-tium's account and not to all the whole volume produced (as in Saudi Arabia). At the same time, it is understood that NIOC was less insistent that the con-sortium should guarantee pro-duction levels of 60 per cent of all crude oil production.

Crude oil production between January and July 22 this year has averaged 5.64m b/d. This is fractionally below the produc-tion level of 5.66m b/d in 1977—itself a decline of 3.7 per cent on the production of 5.88m b/d the year before. (Precise monthly comparisons have been complicated by the introduction of calculations on the basis of the Iranian calendar for the month of Farwardin this year—March 21-April 20. Presumably this will now be suspended as the new government of Mr. Jaafar Sharif-Emami has re-introduced the islamic calendar.)

Exports (including crude and products) have averaged 4.95m b/d (of which crude exports accounted for 4.8m b/d), com-pared with 5.09m b/d in 1977, which was 4.5 per cent down on exports in the previous year of 5.32m b/d. They have become increasingly squeezed by the growth in domestic con-sumption. In 1977 it was 470,000 b/d, up 18.7 per cent on 1976 and NIOC expects a rise of between 9 and 10 per cent over the next decade, when it will then amount to about 1.2m b/d. Income from oil is calculated at $20.74bn in 1977-78 and slightly less at $20.70bn in the following year.

The crisis in 1951 over the attempts at nationalising the oil industry led also to the Govern-ment attempting to involve other companies than those of the consortium in developing and exploring for oil. At present there are still four joint venture agreements in operation (out of an original six).

The first is SIRIP (Societe Irano-Italienne des Petroles—50/50 NIOC and AGIP). It was originally set up in August 1957 and covers an area of 22,900 square kilometres offshore in the northern Gulf, east-central Zagros and off the Oman coast. Production in 1977 averaged 46,000 b/d. A second with IPAC (Iran Pan American Oil Com-pany—50/50 NIOC and Amoco) was signed in June 1958, this group from the Ardeshir, Ferei-doun, Darius and Cyrus offshore fields, produces 272,000 b/d. A third was signed in February 1965 with IMINOCO (50 per cent NIOC, and the remainder shared equally between AGIP, Phillips Petroleum and the Oil and Natural Gas Commission of India), producing 50,000 b/d from fields near Kharg Island.

The fourth joint venture was concluded in February 1965 with LAPCO, which is composed of NIOC 50 per cent and the rest shared equally between Atlantic Richfield, Murphy, Sun and Union. It operates offshore and produced in 1977 an average of 182,000 b/d.

Leaving aside OSCO, there were originally eight service contracts in operation with NIOC. Of those still operating only SOFIRAN (Entreprise de Recherches et d'Activities Petro-lieres and Mitsubishi, both 40 per cent; and Societe Nationale de Petroles d'Aqui-taine) is still at work and its Sirri fields could double rates of 50,000 b/d. In March CFP-Total abandoned an 8,000 square kilometre sector in Lar region of Fars province after drilling two dry holes. Deminex, operat-ing in the Abadan and Shiraz regions, has found only low-grade, heavy gravity crude after testing two wells and have now to decide whether to continue with a contract which could lead to access to oil but at un-economic costs.

Exploration continues and is concentrated mainly on the Khuzestan and Fars provinces. The budget for 1978 exploration is $160m, and in the middle of last month OSCO had nine on-shore and five offshore explora-tory rigs, 21 developing rigs delineating the size of fields, an four "workover" rigs in opera-tion for deepening or repairing existing wells.

According to NIOC two dis-coveries were made in 1977 at Khavis and Zeloi estimated to contain 150m b/year (and four gas discoveries at Milatoon, Nemak-e-Khangan, Samand and Kabir-Kuh raising gas reserves by some 10,000bn cubic feet). Two new wells near Sirri Island in the Gulf began production in the middle of June but observers reckon that it is un-likely that any new major discoveries will be made.

NIOC, however, professes that the general prospects for new discoveries are good, maintain-ing that only a fraction of the 1m square kilometres suitable for prospecting has been inten-sively explored. It says that over the past five years new discoveries have averaged between 2-300m b/year and that so far this year some 200m barrels have already been dis-covered.

Oil production has suffered from two major fires at wells 126 and 101 in the OSCO area. The first, on May 25, caused the death of five people and has so far defied control. It occurred in the Marun field is reported to have a flow of between 15,000 and 20,000 b/d, which would mean the loss at conservative estimates of about $6m of crude oil a month. The second caught fire on May 1—in the Ahwaz field—when one of three outlet pipelines cracked after oil and gas had been reached at 16,080 feet, the deepest reser-voire yet drilled in Iran. Efforts to put the fire out have been hampered by crude oil being spewed out over an area of three kilometres and by the abnormally high pressure of gas escaping at 13,000 psi.

The figure for Iran's oil reserves is, as with many pro-ducing countries, deliberately left vague, but diplomatic sources reckon that it is cur-rently about 70bn barrels, giving a reserves to production ratio of about 35 years. Iran has now embarked on a secon-dary recovery programme linked to its massive gas reserves (conservatively put at 400,000bn cubic ft), which according to NIOC could increase the recovery factor of oil in places by as much as 40 per cent.

Pilot

According to NIOC some $9bn is being invested over a 12-year period (which started in 1974), of which half will be spent on gas and gas liquid projects and the rest on secondary recovery. In 1976 a pilot scheme was started for reinjecting gas from Naft-o-Safid into the Haftkel field and current injection rates are nearly 400m cu ft/day. The Fluor Corporation has a con-tract to design and construct two plants to remove natural gas liquids (NGLs) from 3bn cu ft/day of Pazanan dome gas, in addition to facilities for in-jecting the dry gas into the Gachsaran and Marun oil reser-voirs, but as there has been some delay in the programme it was decided to start the in-jection process with wet gas from Pazanan. This began in May of this year at the rate of about 1.1bn cu ft/day. Accord-ing to the latest OSCO estimates the three phases of the Gachsaran injection programme will cost a total of $678.6m.

These contracts include one for Foster-Wheeler involving the design and construction of facilities to gather 580m cu ft/day of associated wet gas from the Gachsaran reservoir for re-injection into the same reser-voir. There are also plans for the construction of an NGL plant to process 360m cu ft/day of associated wet gas from the Rag-e-Safid and Bibi Hakimeh reservoirs. The dry gas remain-ing after the production of ap-proximately 45,000 b/d of NGL will be reinjected in Bibi Hakimeh.

Another NGL plant is being planned to process over 200m cu ft/day of associated wet gas from the Pars and Karanj reser-voirs. About 35,000 b/d of NGL will be produced and the re-maining dry gas will be reinjected into Karanj field. The current cost of the project of gas reinjection into Bibi Hakimeh is put at $233m and is estimated by OSCO will be complete in May, 1980.

A.McD.

Petrochemicals failing to reach targets

OF ALL its industrial sectors petrochemicals best exemplify the strengths and weaknesses of the Iranian economy: the considerable potential based on abundant raw materials, available finance, a large domestic market and a relatively stable environment for foreign investment; set against very high start-up costs, over capacity in the world market for a prime export prospect, and, above all, an unbalanced structure within the industry itself.

Petrochemicals are the logical channel for industrialisation by an oil producer with relatively limited reserves. The Shah has preached this doctrine for many years, within the country and without. Moreover, in the 17 years of the industry's life in Iran, $5bn has been spent, and a further $12-13bn has been earmarked for reasonably firm projects for the next decade.

According to Mr. Bagher Mostofi, managing director of the State-owned National Petrochemical Company (NPC), the world uses less than 5 per cent of its hydrocarbons for petrochemical feedstock, but if Iran were to succeed in diverting up to 10 per cent of its crude oil and gas output into petrochemical products the income would be more than that from the sale of the remaining 90 per cent in its raw form.

NPC is a long way from that target, and on its present course may never reach it. Latest projections put total sales in 1990 at about $4bn at today's prices. More than half of that will be consumed at home; compared with oil export earnings this year approaching $21bn. By 1990 oil exports are expected to be well into an irreversible decline, and petrochemicals do not appear likely to make up much of the leeway in the national balance of payments.

Examples abound of the economic mess that many of NPC's newest joint ventures are in because of delays in complementary projects or the lack of downstream outlets — understandable deficiencies in the web of a high technology industry starting from scratch—with the result that the industry's planners have become much more sober and realistic than they were, say, three years ago.

Producers

The Iran-Nippon Petrochemical Company, a joint venture with Mitsubishi Chemical Industries and Nissho-Iwai, which came on stream last year to produce DOP plasticisers after an investment of over $100m, has had to import all its feedstock because of the two year delay in the giant Iran-Japan Petrochemical Company, IJPC. The lack of a dimethyl terephthalate (DMT) and a caprolactam plant has created havoc in the economics of the synthetic fibre producers, especially the brand new Polyacryl Iran company, in which Du Pont has a 40 per cent interest.

Iranocean, an LPG transportation company shared by France's Gasocean and NPC, was put into a state of suspended animation earlier this summer after an initial investment of nearly $50m.

The industry's total sales in 1977 were $248m, $70m of that being exports of sulphur and ammonia, as well as the LPG. Projections for this year were $400m, rising to $1.2bn by 1981 as new facilities come on stream. At that time nearly half the output is expected to go abroad.

In the light of the industrialised world's petrochemicals overcapacity and low prices, Mr. Mostofi's export strategy is an unsurprising "East of Suez" one, as he calls it. The natural market is to be the Indian Ocean as far as South Africa and South-East Asia. Proximity, of course, reduces transport costs.

Nearly all the olefins and aromatics produced by the IJPC plant will be exported in its first four years of operation, until domestic downstream users have been established. The Mitsui-led consortium, which holds a half share in the company, is expected to provide a captive market for a certain proportion. Shahpour's fertilisers are also to be offered abroad more, when the major expansion programme underway at the Shiraz Fertiliser Company is completed. The expansion, carried out by Davy International, will boost fertiliser output from 130,000 to 370,000 tons a year.

But with fierce world competition and domestic production costs, by their own admission, 50 per cent higher than in the industrialised world, export subsidies seem inevitable. Even though NPC is a wholly owned subsidiary of the National Iranian Oil Company it has to pay the full market price for its gas requirements.

As for the predicted petrochemicals trade war in the Gulf, as Saudi Arabia and the other Arab oil producers of the region bring their big new plants on stream, Iranian NPC executives argue that they have three advantages: a better infrastructure, a large and growing domestic market, and long oil industry experience, which they hope will give Iran a cost advantage.

Priority for the moment is being given to repairing the gaps at home. A 150,000 tons p.a. vinylchloride plant is needed for the existing PVC operation. The DMT plant for polyester with an estimated cost of $400m, is to be put out to tender in the next six months. A costly $1.5-2bn aromatics plant within the Abadan petrochemical complex is now out to tender, with Japanese and West German firms battling for the job.

Replaced

At Abadan, in which B. F. Goodrich have a 26 per cent share, PVC and heavy detergents are produced. The latter are being phased out and replaced by a light detergents plant. Further east, along the "petrochemicals coastal strip," within the Shahpour complex, is a small aluminium fluoride project.

Illustrative of the way in which earlier ambitions have been scaled down are the four years of negotiations with Dow Chemicals for a large new complex. Originally an $800m job, Dow is now expected to be awarded a $100m styrofoam project. Several such projects, put into cold storage in 1975 and 1976, are now being dusted off and looked at again.

However, the IJPC complex, the largest single petrochemicals projects in the world to be built up from the grass roots, is the kingpin. Sprawling on the mudflats near Bandar Shahpour, sitework is now proceeding on schedule. Production of LPG is scheduled to begin next year with all the products on stream late in 1980.

Original cost estimates of were pushed to over $ the delays in agreeing fi terms, and an extra $ being spent on site and infrastructure. NIO responsible for an $80 gathering project, due soon.

By 1984 NPC's p believe they will need a plant on the same scale and with the same products. Its output w split between domest foreign consumers; whe then IJPC would, it is be totally integrated in of intermediate petroc producers at home.

The lack of private enthusiasm for involve downstream activities h a disappointment.

As the industrialists h been coming forward i years at the expected ra says it will be taking in downstream inv itself. Until now the aim had been to confi to creating the buildin of the industry.

There is certainly n about the strength of demand. Sales of end all increased by betw and 200 per cent in th 1970-76. Pharmaceutica the biggest jump, from to $79m. The rate is to have slowed down sir but if the domestic cannot provide the importers certainly ca

Increasingly NPC is to the international market for general capital as well as i investments. With its ment backing the cred has been good and th been no problems in finance in this way. heaviest investments a take place over the years at a rate double before. Already NPC to defer some of its and financial constraint future make it eve selective.

Energy policy

IRAN IS approaching a major decision on whether to use nuclear power or natural gas as its main source of future energy. At stake immediately are varying degrees of commitment to purchase up to 16 nuclear reactors from the West.

The controversy over plans to provide half the country's energy needs in the 1990s through nuclear power has become public over the past few months. But the debate has been going on behind the scenes almost ever since the Shah announced his determination in 1974 to buy and install 20 nuclear plants within 20 years.

The confirmation three years ago of nearly unlimited gas reserves—at 600,000bn cu ft second only to that of the Soviet Union—has provided additional fuel for opponents of nuclear power. The programme is now being attacked as not only extravagant but also unrealistic.

Criticism has centred around the difficulties of siting nuclear plants in an arid and earthquake-prone country like Iran, the lack of trained manpower, and the dependence on expensive technology and fuel from abroad.

Perhaps the most damaging criticism of the nuclear power programme centres on cost. Two reactors Bushehr I and Bushehr II (originally named Iran I and II), will be brough on stream in 1980 and 1981 at an estimated cost of between $7-10bn.

The initial cost of the reactors, being built near Bushehr by Kraftwerk Union of West Germany, was never officially announced but is thought to have been $3.8bn.

The cost for another two reactors, Iran III and Iran IV, now being built on the Karun River by a French consortium headed by Framatome, was last year revised from $2.8bn to $3.2bn.

The American companies Westinghouse Electric Corporation and General Electric (GE) which have been involved in the overall programme from its early planning stages are watching with mounting concern as the Iranian Ministry of Energy reassesses its priorities. The two had hoped to provide six to eight pressurised water reactors following the recent preliminary agreement on safeguards, but there is now a strong feeling that the U.S. may be "left out in the cold."

The initial $30bn cost projected by the Iranians for the 20 reactors was apparently arrived at in consultation with the U.S. companies. It is now being admitted that it was arrived at without considering siting problems due to high proneness to earthquakes and lack of water, as well as the enormous investments required for infrastructure.

The Americans now say the true cost to Iran of the programme will be a minimum of $60-70bn. This figure, however, still does not take into account investments in transmission stations and lines.

The problems of a country like Iran going all out for nuclear power generation have been starkly highlighted by the construction of Bushehr I and II, each with a capacity of 1,200 MW, near the Gulf. Kraftwerk Union officials forcefully deny having had any "unexpected difficulties." They describe relations with Iranian energy officials, since construction began in 1975, as "excellent," but while denying the $7-$10bn figure, they refuse to give the cost because "it is an Iranian secret."

Project

Some 2,000 German expatriates involved in the project are now working in two shifts which are likely soon to increase to three. A town for them and 6,000 other workers has had to be built in the nearby desert, including a hospital and school. Many basic materials, such as special cement for the anti-quake foundations, have also had to be imported.

The Germans do not feel that the ongoing re-assessment of Iran's overall nuclear plans will affect them and expect to finalise contracts later this year for four more reactors. The negotiations are over the "right conditions" under which the Germans would be willing to accept oil in payment for the reactors.

The new German reactors are to use the dry-cooling system to circumvent the lack of adequate water resources in the region.

Despite the warning signals, the French are also gearing themselves for another four reactor contracts. Iran III and IV, twin 920 MW reactors using the pressurised water system, are now under construction by Framatome on the Karun River below Ahwaz, but no sites have been selected for the additional plants. The two sides have reportedly agreed on full payment in oil, in contrast to French Government credits arranged for the first two. Doubts over whether the contracts will be finalised continue, however.

Pending a decision on nuclear power generation, the Government has begun a crash building programme for gas-fuelled

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ng Communications a high priority

ADEQUATE PORTS, poor .ds and limited rail links have :n among the main causes of n's failure to achieve many its economic goals in the past ee years. Communications re logically been given one of highest priorities for invest- nt during the current period. a result, ports, roads, rail- rs and telecommunications l absorb one-quarter of all ılic spending in the coming years if the current policy naintained.

)espite this effort to moder- ?, it will take much longer n five years before communi- ions match the goals set by Shah in other sectors. With exception of ports, which l' develop more quickly, the horities now gauge their aims erms of 15 years just to bring a up to the minimum level modern communications ıdards.

'he difficulty is that it costs :h to achieve little. The ntry is so vast and provincial ımunities often so isolated t extension of the modern work never pays for itself often brings no direct nomic benefit. However, the ansion of communications, conomic though it be, is :ntial if Iran is to consolidate development and draw to- ıer in the long term the vinces into a unified political le.

'or a start, Iran's port ıorities last year paid more ı $500m in surcharges and ıurrage for ships kept wait- in overcrowded ports. The s' waiting time has subse- ıtly been reduced to almost after a programme com- ng the introduction of extra ' space, improvements in harge and handling (which : been handed to the private or) and most important, the lementation of a 24-hour king day.

ıpacity

creases of capacity are ırkable. In 1976-77 port city was measured at 4.7m es a year, whereas 13m actually handled by round- lock working. A year ago nsion had pushed this to t/y and 14.6m t/y handled. : year this should reach n t/y and 20m t/y. When lar Abbas port reaches t/y capacity the total nal capacity should reach t/y which could lead to lling systems for 50m t/y five years.

rt handling and expansion robably the simplest of ovements that can be made veloping the chain of infra- ture which feeds imported rials into the Iranian omy. Since almost all im- : come through the southern ; the greatest pressure on ıext link of the chain is on transport with the transfer ıods from these ports to the n centres.

ın has 50,000 kilometres of network, less than half of h is asphalted. Minimum lrements demand 200,000- 00 km. Because only the serious bottlenecks can be with, however, the rnment has defined its ities on a more modest . Road priorities are to be routes taking goods from to cities; those linking manufacturing zones to cities; and the building -passes round towns on the ial routes.

p priority goes to the proposed six-lane highway from Bandar Shahpur to Tehran, of which various sections are under construction and others under design. Another six-lane road is being built between Tehran and Qazvin, an industrial city north-west of the capital. Isfahan's industrial zone is being linked by a motorway to Isfahan which will connect with the new Isfahan airport road and a new road to Yazd.

Bandar Abbas port will be linked by a dual carriageway to the north. All the main arterial highways will be built with two or four lanes, to be expanded to six lanes later when the basic link has been completed. A ring road is to be built in Tehran (tenders for the six-lane highway will be out soon) and a number of by-passes are planned.

Rail expansion plans follow much the same pattern. Links from ports to cities have the highest priority in the system. (None of Iran's 4,600 km of single track railway is electrified). Until talks with Turkey produce major changes in the European rail link, which still involves a rail ferry across Lake Van, Iran's bulk imports will continue to arrive by sea to the southern ports. More than 70 per cent of Government bulk cargoes (wheat, sugar, rice and cement) arrive in urban centres by rail.

During the past three years of unprecedented growth, telecommunications is the one sector about which the most complaint is heard. The Government and PTT have been hard pressed to meet demand for phones but have actually kept up quite well. Four years ago the PTT placed 650 calls a day from Iran to foreign countries. In 1978 40,000 foreign calls a day were made.

External calls are only a single indication of the expansion of demand. Internal demand has also grown with urbanisation. In the fifth plan the number of phone lines doubled to 1.2m. This should reach 2.3m after five years. By the end of the seventh plan period (1988) the aim is 5m subscribers. The first electronically-switched stored programme control (SPC) exchanges will be ready this year with 25,000 lines for Tehran. A contract has already been signed with General Telephone and Electronics International (GTEI) worth $600m for the SPC expansion which will eventually provide 500,000 lines.

At present automatic subscriber trunk dialling (STD) is available from Tehran to 18 foreign countries. (Unfortunately the advent of automatic dialling machines which are widely used in Tehran means that STD lines abroad are effectively blocked for most of the working day.) Next year a start will be made on connecting provincial towns to STD. Eighty towns are currently linked; the number will rise to 260 by 1983 and 600 by 1988.

Industrial goals in Iran are usually measured in five and, increasingly, 10 years. Targets for communications are set in 10, 15 and even 20 years. Because of the scale of the construction infrastructure tends to lag behind industrial development (while also holding it back).

The attempt to define priorities within infrastructure is an acknowledgment that only part of total demand can be satisfied. Even if the 222bn riyals ($3.3bn) allocated in this year's capital budget for roads, railways and ports is spent, and if capital investment for the coming five years is successfully disbursed, Iran will still have no more than a fledgling system.

Bottlenecks

After five years the road and rail system may have shrugged off the main bottlenecks but the task will remain then to upgrade the motorways from four to six lanes and the arterial freight rail lines from single to double track. Improving the lines of communication lower down the scale of priorities will require 10 to 15 years and then only if high priority projects have fulfilled requirements.

The investments are put into perspective by the fact that $25bn will be spent over the next five years to create a structure which by definition will be inadequate for demands. By 1983 the minor provincial roads and non-arterial rail links will be even further behind than now. More than $14bn will be spent in attempting to keep up with growth in demand for telephones. But the ten year target of 5m phone lines will only fulfil 80 per cent of requirements.

Without modern communications Iran might be in danger of dividing itself into two distinct communities, for the towns provide a per capita income six times that of rural districts ($2,500 a year for urban industrial workers compared to $400). Continuing industrialisation, urbanisation and rural emigration will increase the gap.

It will take decades before Iran's tens of thousands of villages are patched into the modern network. The economic benefits of roads and modern transport are difficult to quantify

When roads are built to the villages, the linkage accelerates rural depopulation. Nonetheless the Government is committed to building a modern road network. This will take 10 to 15 years. Meanwhile telecommunications offers the high technology hope of closing the urban-rural gap.

Bell and ATT have been consultants since 1976 to a project for a domestic satellite system. It will cost more than $1bn. It is considered more practical in the long run to carry phones, telex and educational TV to remote parts of Iran by satellite than by using terrestial systems. The social pay-off is self-evident but the Government also believes that it could be economical over a 20-year period because there would be no high cost maintenance which a terrestial system would incur across deserts and mountains.

The social benefit is not confined to rural areas. Mashhad, a 750,000-strong city, receives 7m visitors a year as pilgrims. But in winter roads are dangerous, rail is unreliable and the present airport still closes on occasion for bad weather. A better airport is nearly finished which will have modern radar, but the example makes the point that air links (21 airports have been built in the past ten years) must be considered complementary to road and rail and not a substitute.

It is also politically desirable to link eastern provinces with the west of Iran. In the southeast there is no real frontier between Iran and Pakistan. Many Baluchis hold two passports and identity cards. Further north in Seistan periodic tension over water supply caused clashes in the past and the change in the Afghanistan Government earlier this year emphasises Iran's need fully to embrace the people of the east whose geography looks more to Afghanistan and Pakistan than to Tehran.

The Seistan-Baluchistan province is so remote that the Government has all but abandoned serious development ambitions beyond those of providing minimal necessary economic stimulation for its 600,000 people. However, infrastructure is developing and will expand as strategic and military plans go ahead in the area. A new naval port is being built at Chabahar and a series of military airports and roads will improve communications prospects. A $180m road is under construction from Zahedan to the Pakistan border.

M.T.

Energy

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thermal plants. The first to come on stream earlier this summer was the 1,380 MW plant near Rey, just south of Tehran. The $340m cost is one-tenth that of Bushehr I.

The 1,760 MW Neka plant near the Caspian Sea is due to come on stream in mid-1979 and will be fully operational in early 1981. The site for the plant had originally been set aside for a nuclear reactor.

In Bandar Abbas, another site rejected for nuclear plants because of the high risk of earthquakes, a gas-fuelled plant of over 1,000 MW capacity is said to be nearing completion.

A $247m contract has also been awarded to Brown Boveri of West Germany to build a 600 MW thermal power station near Mashhad in the northeast. The first unit is scheduled to come on stream in 1981.

Gas for the Neka and Mashhad plants is to be piped from the Sarakhs field in the north-east. The Rey plant is being fed by a spur line from the IGAT I trunkline which has been piping natural gas from the southern fields to the Soviet Union since 1970.

IGAT II, for which a contract was signed with the Soviet Union this year, is scheduled to be completed in 1980. Running parallel to IGAT I, it is to start delivering the first of 2.6bn cubic feet of gas to the Soviet Union under a trilateral switch deal that requires the Soviets to pipe an equivalent amount from their northern fields to Czechoslovakia, Austria, West Germany and France.

In 1982 Iran expects to start massive exports of gas in the form of LNG. Under one agreement signed in mid-summer, Iran is to supply Japan with 52m tonnes of LNG over 20 years. Two liquefaction plants are to be built near the Gulf at a cost of $700m to be financed by loans and credits from the Japanese Government.

Less certain of a go-ahead is the recently proposed $2bn project to ship LNG to the U.S. in a three-way arrangement that would see the Norwegians financing and building a $680m floating terminal off Bushehr. The uncertainty comes from Washington where Columbia Gas Company and Consolidated Natural Gas Company have made joint import applications to the Department of Energy.

One U.S. official says that unless pressure is brought on the department there is not likely to be "much chance of any movement." One of the controversial issues is the escalation clause tacked to the floor price of $1.81 f.o.b. per million BTUs.

In Oslo officials say initial financing difficulties have been ironed out—reportedly with West German help. But Kvaerner Industrier (which expects to build the terminal with probable involvement by Salzgitter of West Germany) will withdraw from the deal if U.S. approval is not given by December 31.

If the deal goes ahead, the National Iranian Gas Company (NIGC) will supply (from the Pars Field) 300m cubic feet of LNG a day, starting in 1983, for 20 years at a total cost of $8bn.

Meanwhile, in the absence of major new oil field discoveries, there is increasing demand on the country's gas resources for secondary recovery programmes for oil. Estimates of reinjection needs in the early 1980s for the Khuzestan oil fields range between six and 12-bn cubic feet of gas per day.

Traditionally Iran has relied on oil-fired and hydro-electric generators to provide the bulk of its energy needs. Gas accounts for over 20 per cent of energy production and may in the early 1980s increase its share to 35 per cent.

The 5 per cent contribution from dams is not expected to change much in the long term. The Canadian consulting engineers, Acres International, were this year awarded a design contract for a $1.5bn dam on the Karun River to generate 2,000 MW of electricity in the late 1980s.

But, predictably, the massive increases in domestic energy requirements have put Iran beyond the "simple" solutions of the 1950s and 1960s.

Already, responsibility for the nuclear programme has been shifted from the free-wheeling Atomic Energy Organisation of Iran (AEOI) to the Ministry of Energy. Depending on the new Cabinet's degree of preoccupation with current political developments, a decision on the future of the nuclear power programme is expected well before the year is out.

Vahe Petrossian

Education needs an overhaul

IRAN'S EDUCATION system has ground steadily during the past two years to what many hope will prove to be only a temporary standstill. The hope is lent an added sense of urgency by the growing realisation that the schoolroom is essential to the Shah's ambitious plans for an industrialised society.

With few exceptions, however, the general picture in 1977/78 was one of riot-torn universities — where students were busier ducking police batons and distributing anti-Shah leaflets than acquiring the tools of an industrial society— and secondary school pupils packed into classes of 70 and more.

True, the number of students in higher education has more than doubled since 1971 to over 154,000 and many new schools and universities have been built. But despite such quantitive improvements—including regular budgetary increases to this year's $4.3bn—the quality of Iranian education can still only be described as poor. As a group of militant teachers and professors recently wrote in an open letter: "Iranian education exists in name only."

Many of the inadequacies were laid bare in a 55-page report drawn up last summer by the Shah's own team of trouble-shooters, the Imperial Commission. Among the highlights were:—

- an acute shortage of teachers. Despite a 66 per cent increase since the start of the Fifth Development Plan in 1973 there is still only one teacher for every 35-40 students;
- a severe problem of overcrowding in classrooms. In Tehran, for example, the Imperial Commission found that fully 78 per cent of schools were forced to operate on two or more shifts a day;
- at university level the Imperial Commission reported failed targets and predicted continuing shortages nationwide in the fields of medicine, dentistry and engineering. Science degrees were unrelated to the needs of Iranian industry and technology, stated the Commission, and in the humanities, for example, teaching standards were simply not high enough.

During the past academic year, however, the universities have proven less a base for higher education than a battleground where the Shah's security forces, in riot gear and wielding wooden clubs, have almost daily squared off with embittered students frequently armed only with youthful idealism and the occasional wooden chair. No official figure exists for the number of wounded and arrested but campus sources have put it in the "many hundreds."

The violence — which ironically coincided with the Shah's pledge to "liberalise" Iranian society — raged countrywide. Among those campuses worst hit were Azarabadegan University in Tabriz, Aryamehr in Tehran and Tehran University itself where virtually the whole scholastic year was wiped out in demonstrations and violence described as some of the worst in the past 15 years.

The student demands initially seemed innocuous enough. Many wanted the right to set up their own student libraries and better facilities for sport and research work. But as events were to prove all were deeply rooted in the more general political unrest and agitation now sweeping the country. More recently, the students have called for university police to be ejected from campuses.

The Government has long viewed the universities — in particular Tehran University —as "hotbeds of revolution" and until recently has publicly blamed the violence on a handful of trouble-makers. The students themselves are badly alienated. At Tehran University, for example, 80 per cent of the student population comes from the provinces and many feel lost and alone in the glitter of the Iranian capital.

But in what might yet prove to be a radical change of heart, the Shah himself highlighted the plight of Iranian universities during the recent cabinet shake-up. As a result a new statement of educational policy is now being drawn up aimed at better school facilities, improved teacher welfare and a thorough overhaul of universities.

While violence is not yet a problem lower down Iran's educational ladder, many of the basic shortcomings remain the same. Chief among the causes for concern is the lowering of teaching standards. Teacher shortages, common throughout Iran, have led to the recruitment of less qualified instructors, thus further reducing academic standards. Moonlighting professors are still the norm, as is indifferent teaching and rote book learning. As the Imperial Commission pointed out, only 25 per cent of the teaching staff covered in their survey were the products of teacher training schools.

Reflection

Many of today's problems in education are a reflection of Iran's overall problem of trying to do too much too quickly. Four years ago education was dealt a double blow. Secondary schooling and university education were made free—in return for a commitment by the students to serve an equal number of years in Government service—and both primary and secondary schools were nationalised.

The measures were as always the product of best official intentions. Education in a country of Iran's ambitions was obviously of prime importance and despite 10 years of fieldwork by the Shah's literacy corps, less than half of the country's 34m people could read and write.

But the immediate impact of the measures was to throw the education system into chaos. Private schools closed, much to the distress of richer parents, and waiting lists grew as fast as the number of pupils anxious to take advantage of the new benefits. Four years later Education Minister Manuchehr Ganji was to comment: "Successful education programmes do not come precooked and prepackaged like a TV dinner."

In hasty recognition of its mistakes the Government last year allowed private schools to re-open and more recently has started to tackle the more basic problems. In a bid to attract more qualified personnel, teachers' salaries are to be brought into line with those of other civil servants, and those who elect to work in the more remote villages and towns are likely to be better rewarded than colleagues who insist on staying in the more comfortable surroundings of, say, north Tehran. Also reported to be in the pipeline are plans aimed at giving universities a much greater degree of internal autonomy in administrative and academic affairs.

Past mistakes have not lessened the Government's penchant for the new and experimental. Ministry officials have recently taken a second look at the British public school system and a team from Shrewsbury recently concluded an extensive tour in Iran. An open university —modelled along British lines— finally took to the airwaves earlier this year.

But many parents cannot afford to wait for the Government to get its education equation right and as a result 120,000 Iranian students are now believed to be studying abroad in foreign universities and schools. Not only is this a tremendous drain on the country's foreign exchange: many such elect to remain abroad as graduates. Of some 325,730 Iranians sent abroad by the Students Affairs Organisation during the past nine years only 22,680 have reportedly come back home.

Liz Thurgood

Acute shortage of manpower

IRAN'S SHORTAGE of manpower, long recognised as one of the most critical obstacles to economic development, has improved marginally during the past 12 months but continues to remain acute. A massive recruitment campaign of skilled labour from abroad has not proven wholly successful, and problems of rampant unrest within the local labour force have yet to be solved.

According to figures recently released by the Ministry of Labour and Social Affairs, Iran still has 93,000 vacancies to be filled — a figure that does not allow for the 100,000-plus foreigners who have flocked to the country during the past four years. Of the country's 18m potentially economically active people, only 10.2m have joined the workforce.

Widely publicised efforts to fill this shortfall have fallen short of their initial promise. Teaching at the 11 training schools (in Isfahan, Karaj, Mashhad and Tehran) is reportedly poor and, according to a survey put together by the Shah's own team of economic trouble-shooters, the Imperial Commission, the student/teacher ratio has actually deteriorated during the past four years.

In the short-term, however, the Government's chief headache lies on the factory floor where job-hopping, absenteeism and go-slows are still commonplace. According to the Central Bank, work productivity rose only 9 per cent during the past Persian year (March 1977-78)— down from 11 per cent for the previous year — but wage increases were in the region of 26 per cent-plus.

Strikes are also increasing — though the right to strike is not specifically established in Iran's 1959 labour law. Disputes between labour and management are meant to be settled by arbitration. But in early 1976 Goodrich suffered a series of go-slows and stoppages which forced it to close down its tyre plant for three weeks and contributed to its ultimate decision to sell out. Last year tools were downed at some of Iran's larger companies — including car makers GM Iran, Fluor in Isfahan and the Behshahr Industrial Group. More recently strikes have been reported again at Behshahr and in the highly labour-intensive textile industry.

Grievances have varied from factory floor to factory floor. At Behshahr the demands were for better pay, elsewhere for longer holidays and improved pension schemes. But among those complaints reported to be topping the list are Government proposals aimed at docking annual bonuses, linking wage increases to productivity and generally tightening up on worker discipline.

Such measures are contained in a new labour code which has still to be passed by the Majles, the lower house of Iran's Parliament. Because of the recent Government shake-up— which included a new man at the Labour Ministry—there is no telling when this might be.

Iran's 3m labour force has long grown used to kid-glove treatment. Largely unskilled and extremely young, the workers have become accustomed to annual wage increases of between 25 and 30 per cent. Fringe benefits are generous, increasing labour costs by an estimated 60-70 per cent of basic wages.

Responsible

The regime itself is largely responsible for this state of affairs. Ever since Iran's massive drive for industrialisation got underway in the early 1960s, the workers have frequently been used as political pawns in a far larger power game ranging the Shah first against his big landowners and then against the growing power of the industrialists who control some of Iran's key industries.

In addition, the regime has always been concerned that such a young—in many factories the average age of unskilled workers is only 20 years—and inexperienced labour force would fall easy prey to political subversion.

The net upshot has been a series of measures that automatically gave the workers such perks as a 20 per cent share each year in their company's profits, the chance to buy up as much as 49 per cent of company stock, and generous social benefits ranging from free medical expenses to child allowances and even accidental death payments.

Other fringe benefits include subsistence allowances such as bread, rice or tea rations. Companies are also expected to build co-operatives on the premises where employees can buy basic foodstuffs at subsidised prices.

Until recently the Government always took the side of the worker in labour disputes. Under Iran's labour code, no worker could be fired without his case first being reviewed by a Labour Ministry court. Invariably the court would decide heavily in favour of the worker.

The system worked reasonably well until fairly recently. Strikes were rare—largely because the activities of the Iranian workers were carefully monitored by the omnipresent secret police, SAVAK—and all news of disputes was studiously avoided by the local Press. The Government-created workers' organisation—now made up of 1,035 registered unions grouped into 23 federations—was hardly prone to trouble-making.

All such surface calm changed radically following the 1973 oil boom when the Iranian worker suddenly realised he was in a seller's market. The annual turnover in many plants quickly rose to the 45-50 per cent range as unskilled workers left in search of better paid jobs. Personnel chiefs complained bitterly of "worker stealing" by other companies.

By late 1976 the Government seemed more than ready to lend the industrialists a sympathetic ear. "Discipline and order may replace insolence and laziness," warned the Ministry, voicing commonly held fears that Iran's fledgling export business would be badly hurt should labour indiscipline be allowed to continue. High wages and low quality would price Iranian goods out of world markets at a time when substitutes would have to be found for falling oil revenues.

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Prospective demand for 1m cars

At the age of 32 Mahmud Khayyami, a Mashhad garage owner and car salesman, turned out his first vehicle—a Mercedes bus bolted together at his new factory out on the Karaj road west of Tehran. That was 16 years ago when output was one a week. Last year his company, Iran National, increased its profits by a third to $140m on a turnover of nearly $700m.

Most of Iran National's problems today are those of success. It produces 65 per cent of all locally manufactured vehicles and, somewhat reluctantly, carries the load of Government pressures to keep up with demand and keep down prices. The Peykan, six different variants on the old Hillman Hunter, is not just a household name in Iran; it is the symbol for every working man of success and the good life promised by the Shah.

Nearly 1.3m cars on the roads already produce traffic jams in the capital and along holiday roads which are comparable to any elsewhere. Tehran's planners rack their brains for new expedients to keep ahead of the inexorable surge of new cars. But the response of Iran National executives is to point to figures showing the car ownership ratio to be still only one in nine, compared with one in three in parts of Europe.

Taxed about the heavy pall of air pollution that hangs over the city like a shroud for most days of the year, for which the phenomenal car boom is largely responsible, the vehicle giant of Iran says that in response to pressures this year it has cut the carbon monoxide content in the exhaust fumes from 6.7 per cent to 1.5 per cent—and absorbed the extra cost involved itself, at a time when no price rise was allowed on its cars.

Meanwhile, down the road, its critics complain, General Motors, a much less productive operation producing a limited number of luxury models with very little local content—can get away with alleged 300 per cent profits per vehicle and still be allowed to raise prices.

The third domestic manufacturer, Saipa, is under contract to Renault and Citroen, for the assembly of Dyanes and the Renault 5. Progress there in building up to the promised output of 100,000 Renaults a year has been slower than expected, even though demand for these small cars is almost as heavy as for the Peykan. Last year Saipa reached about 30,000 vehicles.

Put together with the Land-Rover and Jeep and a sprinkling of light and heavy commercial vehicle factories, the national output will probably reach the 200,000 unit level this year—a creditable achievement and at the heart of the Government's industrial policy.

As new joint venture agreements with components suppliers continue to be signed, Iran is fast approaching the stage where its vehicle industry could be termed manufacturing, even if today that hope rests mainly with Iran National. Over 60 suppliers are already in existence producing parts ranging from tyres and ball bearings to batteries and safety glass. A new factory at Rasht, run by Lucas and the Fuladi family, will produce electrical accessories.

For at least the next decade industry planners believe that output will be chasing domestic demand. Demand for this year was put at 250,000 cars: and its strength was demonstrated by the unprecedentedly long waiting list for factory Peykans, by the 50 per cent premium for salesrooms, and by the popularity of imported cars despite prohibitive duties.

By 1985 demand is expected to double, and then to double again in the next five years, requiring a staggering 1m cars a year for a population estimated at 56m. Only in the late 1980s should there be surplus capacity for export. By then it is hoped that unit costs will have come down to internationally competitive levels and Iran will have its own up-to-date model.

According to Iran National this was the philosophy behind last November's contract with Peugeot-Citroen to produce the new, medium-sized 305 car under licence. A front-wheel drive model, the 305 represents Iran National's second generation and the basis for a third generation—a completely new design sometime in the middle of the next decade, based on the new 1850 cc engine many of the world's major manufacturers are working on.

The first Iranian Peugeots should be coming off the production line in October or November 1979. Mr. Hushang Moaven, the production manager, reckons on about 30,000 units in the first full year, building up to the target of 100,000 a year. Investment in new facilities exclusively for the Peugeot is put at about $80m.

Priced about the same as the Peykan (approximately £3,200 at today's prices), the 305 will be in direct competition with the established favourite. Already an old model when local production began in 1968, plans for the Peykan call for a big face lift next year and a complete revamp in 1981 to keep it going for a further few years.

For the first time in several years Peykan output is currently running on target, 132,000 units in 1978-79. Chrysler UK has had a good record on the supply of the car's ckd packs, and there has been no repetition of last year's electricity shortage which cost the company a fifth of total planned production.

The proportion of local content in the car has increased steadily to 68 per cent by value, and will increase further in the near future with the coming on stream of the Mashhad engine foundry. The consequences for Chrysler are naturally a decrease in the contents of the ckd packs—down now to the transmission, crankshaft, carburetters and dashboard equipment — though this is compensated for by the volume increase. This year Chrysler's Iran contract will be worth somewhere between $250m and $270m, including spare parts.

Technically the contract can be ended in 1980, but it will almost certainly be continued.

Investment

Between now and 1985 the company estimates that an investment of $800m will be required to set up a plant capable of turning out 300,000 front-wheel drive engines a year. Talks with three major manufacturers including Volkswagen and Ford are known to be well advanced and a decision is likely to be made within the next six to nine months. Ideally Iran National would like a joint venture with the foreign partner putting in up to 35 per cent of the capital.

The company has expanded its capital base rapidly in recent years, from IR8bn in 1976 to IR19.6bn ($280m) in the next few months. The Khayyami family retains a controlling 51 per cent of the shares, with the remainder distributed—on Government instructions—to 12,000 worker shareholders, though much of these are being held on their behalf by the State Industrial Finance Corporation. Profits on sales are roughly 19-20 per cent, a level Iran National says is necessary for its heavy investment programme.

A recent decision was to move all the bus and light pick-up assembly operations to Mashhad to make room for the expansion of the car lines. The new factory, operational by the end of 1980, will have a capacity of 5,000 Mercedes buses a year, and will help make the city into the country's third vehicles centre. Tabriz, in the north-west, has for some years been the favoured location for vehicle engine and components factories.

British Leyland's Tabriz plans, meanwhile, have been hanging fire for nearly two years. When the truck market collapsed in 1976, what was originally to have been a truck engine plant for the assembly operation near Tehran was changed, first into a proposed Land-Rover engine site, and now, possibly, into part of the tank transporter project under discussion.

The truck business in Iran has had sharply varying fortunes. The four established plants increased capacity from under 4,000 to 14,000 in two years time, along with the country's development take-off; then were forced to cut back sharply. Overcapacity, large-scale imports of built-up trucks and a collapse in demand reduced production last year to under 9,000. There are indications that the market is now picking up again.

But it still requires considerable confidence to justify the contract signed with Volvo last November for an assembly plant in Tabriz with an eventual target of 20,000 trucks a year, 3,000 of them destined for export. As Daimler - Benz's medium trucks are the most firmly established in Iran, the prospects for Leyland are not good.

Buses

Leyland also produces a limited number of double-decker buses at its Tehran plant, but here again the public transport authorities have recently shown a preference for its European Continental competitors' imported new models. Elsewhere, a wholly Iranian-owned plant turned out about 5,600 Land-Rovers last year, under licence, from ckd packs; for which the demand remains good.

On the import of built-up vehicles, British manufacturers compare badly with the European and Japanese companies. On the luxury side BMW and Mercedes are the most popular, despite a price tag in Iran of over £20,000 for the Mercedes 280. South Africa has been making inroads with sales from its own BMW-licensed plant at home.

The Peugeot 504 sells well, as do the large Fiats; but as elsewhere in the Middle East it is the Japanese who are increasing their share of the market the fastest. The best-selling British model is the Range Rover, with its snob value and suitability for the terrain, though its American copies are competing fiercely on price and availability.

A.W.

Labour

CONTINUED FROM PREVIOUS PAGE

But thanks to the economic slowdown the situation is starting to improve marginally. A combination of imported manpower and a fall in the construction sector—thus freeing many unskilled labourers—has already seen a slackening in worker turnover. A recent survey shows that Iran could well have a 80,000 manpower surplus by the year 2002.

Pampered

The Iranian worker has been described as "pampered, spoilt and ungrateful," but this is only one side of the picture. Despite hefty wage increases, inflation and high rents have eroded much of this new earning power. In the poorer parts of south Tehran, one room and shared kitchen and bath facilities can frequently cost more than $100 a month. Last year a labour leader pointed out that many workers were paying as much as 60 or 70 per cent of their wage packets on rent.

Relations between the Iranian worker and his foreign colleagues are not good. Unlike the Turks and Spaniards who flocked to northern Europe in the 1950s and 1960s, the foreigners in Iran have generally filled top positions that Iranians cannot handle. Reports of huge salaries and perks earned by foreigners have naturally upset the Iranians and friction between the two has already resulted in reports of go-slows and even a downing of tools.

Not all foreigners are happy with their arrangements with the Iranian Government. For example, the Indian doctors—recruited because of their willingness to work for lower wages than Iranians in parts of the country where Iranians will not go because of the climate or lack of amenities—are complaining vigorously of broken promises. One recent letter in the local Press asked: "Are foreign doctors just hired labour?"

Further down the foreign ladder a source of cheap labour for many Iranian factories, particularly cement plants and desperate farmers, is threatening to dry up following a Government crackdown believed to be aimed at illegal Afghan workers who officials fear could be a source of subversion since the Marxist coup in Afghanistan earlier this year. Last month the Government gave employers a three-month deadline to apply for work permits. The alternative, warned the Labour Ministry, would be a one-year jail term for the employer and deportation for the illegal employee.

The Ministry of Labour considers the number of foreigners currently working in Iran to be "confidential information." But excluding those currently working with the military and related service, the number is now put at some 65,000. Of these nearly half (45 per cent) are physicians, specialists and engineers, with 32 per cent employed in manufacturing, another ten per cent in management and the rest in such sectors as agriculture and administration.

The immediate prospects, meanwhile, on both factory floor and in company boardroom are not necessarily good. Like the more general university campuses, teaching at technical schools and colleges has also been severely disrupted this past year with riot police battling with demonstrating students.

Brighter

On the brighter side is the eight-year-old Iran Centre for Management Studies that, modelled along Harvard lines, is trying to inject new skills into the country's growing cadre of managers. The courses, designed to fit Iran's management needs, are gruelling, but the rewards for the 70 students graduating annually are high. In addition to full-time 11-month study programmes, ICBM also runs shorter term executive development programmes.

But the immediate future may well be rough. The Iranian worker, caught up in the general political turmoil of recent months, is learning how to bargain. Industrialists not only see little improvement in either productivity or worker discipline, but predict more strikes in the coming months.

Liz Thurgood

Signs of a religious revival

THE RE-EMERGENCE of religion as a potent and sometimes violent political force in Iran has caused much surprise both inside the country and abroad. Many had assumed that the rampant materialism of the past decade and a-half had weakened both the religious predilections of the masses and the credibility of the top *mujtahids*—religious sheiks — as national leaders.

There appeared to be much solid evidence to support this view. While Iran raced towards the Shah's goal of the "Great Civilisation," religious and other aspects of national culture seemed to have been left behind. The fervour of the holy months of *Ramadan* and *Muharram*, so visible in the 1950s, was no longer in vogue.

On *Ashura*, the day of deepest mourning, once marked by awe-inspiring processions of hundreds of half-hypnotised chain-swinging men in black, not more than a handful of somewhat self-conscious mourners have been turning out in recent years in each neighbourhood, while thousands flocked to the Caspian for a late holiday.

Until this year, at least, young people have been eating and smoking publicly during *Ramadan*, and even the beer shops have enjoyed brisk business.

The events of the past year have shown this analysis to be false, although it is still too early to judge whether Iran is undergoing a genuine religious revival, based on revulsion from the excesses of materialism, or whether the mosque is simply being used as a safe refuge against authoritarianism (an age-old role) in the absence of *real political channels. Probably* both views have some substance.

Although Iran is said to be over 98 per cent Moslem, there is a great deal of religious diversity. The official religion is the Shi'a branch of Islam, which recognises a chain of Imams starting with Ali, son-in-law of the Prophet, and ending with the Twelfth Imam, an occult and immortal figure who will one day reveal himself and usher in an age of peace and justice.

This doctrine, with its emphasis on hereditary principles and shrines for descendants of the Imams, differs markedly from the more austere "republican" *principles of Sunni Islam, the* orthodox branch to which some 90 per cent of all Moslems belong. Even within the Shi'a there are divisions, the best known being the Ismailis, headed by the Aga Khan, who has followers in Iran, as well as Iranian nationality.

Although the Sunni branch is a minority in Iran, the only *Moslem country where this is* so, Sunni communities numbering between 2m and 3m exist, chiefly among the Kurds, Turkomans, Baluchis and Arabs on the periphery of the Iranian plateau.

Iran has a long history of religious tolerance—marred by occasional acts of persecution—but there has never been complete freedom of religion. Apart from Islam, three other faiths are recognised—Zoroastrianism, Judaism and Christianity.

Zoroastrianism, displaced by Islam from the seventh century onwards, was encouraged by Reza Shah the Great as a purely Iranian phenomenon, as the Indian name "Parsee" indicates. *The adherents of this ancient* dualistic religion seem to be dwindling, however, and today they number not more than 40,000 despite the prestige in which they are held by Iranian Moslems, for they themselves discourage proselytising.

Antiquity

The Jewish community—also of great antiquity since they trace their origins to the days of their saviour Cyrus the Great (Biblical Esther was a Jewish Iranian)—is perhaps twice as large as the Zoroastrian, and of greater political and economic importance in view of the large number of influential Jewish entrepreneurs and merchants. To the Moslems they, too, are respected "people of the book" and anti-semitism is rare in Iran.

The largest minority religion is Christianity, represented by Armenian and Assyrian communities totalling some 150,000. There are also large numbers of at least nominal Christians among the Western and Far Eastern communities that have flocked to Iran in the past five years.

One important religious element is not officially recognised in Iran, although it has in recent years always been tolerated except by fanatics: *Baha'ism, described as the* world's fastest-growing religion, has its roots in Babism, a heretical Moslem sect, whose founder was executed in Tabriz in the 19th century. To the Shi'a *mujtahids*, Baha'ism, with its Iranian connections, is a more dangerous threat than the other Western and Eastern sects such as Mormonism and Sikhism *which are tolerated as being* confined to foreign communities.

Slanderous rumours about Baha'i ritual are commonplace bazaar gossip. Among the concessions already made by the new Government has been the dismissal of four army generals, one the Shah's personal physician, apparently on the grounds that they were Baha'is. The Baha'is probably number at least 70,000, and with many of the community in prominent positions, their influence has always been greater than their numbers would suggest, a cause of resentment to the Shi'a clergy.

Yet another important religious factor is Sufism, aptly described as the mystic core of Islam. Since the Sufi goal is "to lose consciousness of individual existence and become *merged in the ocean* of divine love," Sufis are unlikely to emerge as a political force, although the first and last Safavid monarchs were Sufis, as we are reminded by Shakespeare's name for the Shah of his day, "The Sophy."

Schisms

Even within the main body of "orthodox" Shi'a there appear to be schisms, or at least wide differences of political persausion. There is no universally acknowledged leader, but the radical wing is championed by the *Ayatollah* (an honorific title of leading *mujtahids*) Ruhollah Khomeini, imprisoned in 1963 for his opposition to the Shah's land reforms, and now living in exile in Iraq. Khomeini has done much to arouse anti-Shah feeling in Iran. Less radical and with large followings are the Ayatollahs Colpayegani and Shariatmadari in Qom, Shirazi in Mashhad and Khonsari in Tehran, all focuses for discontent rather than aspiring alternative political leaders. The religious opposition covers a wide spectrum of political beliefs from the extreme Right to the extreme Left, only united now for tactical purposes.

The Pahlavis have had consistently poor relations with the Shi'a clergy, ever since Reza Shah had a leading *mujtahid* whipped for criticising his abolition of the veil. The present Shah is too astute a politician to challenge them so openly, but he clearly considers them obstacles to his modernising mission. To the dissidents, whether religiously inclined or not, they provide a natural rallying point or cover. Here, as so often in Iran, history seems to be repeating itself, as there were similar confrontations between the clergy and the monarchy in Qajar times. In these the clergy were generally successful, preventing some of the more grotesque foreign concessions from being implemented, and playing a major part in the 1905-06 constitutional revolution.

Despite the similarity with the past, and the current weakness of the Government, it is by no means certain that the religious opposition will be able to keep up the momentum of recent months, and the Shah's choice of new Ministers indicates his confidence that time is on his side. The opposition has won minor concessions on such matters as the banning of casinos and the restitution of the Islamic calendar and looks like demanding, and obtaining more. But it is most unlikely that the Shah, the armed forces or majority opinion in Iran would tolerate a major wave of puritanism such as the return of the veil or total prohibition. As Gibbon put it, "The wines of Shiraz have always triumphed over the laws of Mohammed" and the Shah certainly does not intend to preside over what he and many others would to be the decline and f Persian Empire.

Forecasting the fu been a risky business since the days o astrologers, but it d probable that a compro emerge between the Western modernism, sy by the Shah, and those tional Irano-Islamic championed by the Iran is unlikely to t theocratic State, but desirable aspects of Pahlavi-style may now tailed. If the conflic resolved without the that has so far been noticeable feature b will have gained a rea

Roger

The bazaars and their influence

WHEN STAFF at Tehran's radical Aryamehr University launched an all-out strike in May, in an effort to prevent the closure of their campus, bazaar shopkeepers rallied round with financial donations far in excess of what was needed to compensate for stopped pay.

Again, throughout the past year's troubles, whenever opposition leaders from among the clergy or the political dissidents issued calls to pull down shop shutters in protest, the solidarity from the bazaars in the capital and provincial cities was impressive, and ignored Government exhortations about their loss of income and strong-arm tactics to keep them open.

They were graphic illustrations of the continuing power and influence of the bazaar community despite the rear-guard action they have had to take for some years in the face of modern distribution systems and Government intervention in commerce.

Bazaar and mosque are interdependent, physically and in actual practice. So when prominent member of the heretical Baha'i faith gained control of the country's largest private *bank chain, Bank Saderat,* known as the "bazaari's friend," a discreet battle by proxy was fought out between the Government and the Moslem Shi'a leadership. As fast as depositors withdrew their money or demonstrators smashed Saderat windows, the central bank replaced the funds and the police hauled off the troublemakers.

An integral part of bazaar operations is moneylending—on a short or medium-term basis and a few interest percentage points above the going bank rate but with the advantage of being readily available and unencumbered with conditions. Exactly what proportion of total lending is done through the bazaar is anybody's guess, but it is probably at least a quarter.

The scale of business conducted by the bazaar is still immense. Internationally the bazaar is probably responsible for 30 per cent of all imports and a much higher proportion of bulk commodities and consumer goods. At home the countrywide network controls a good two-thirds of wholesale trade and, outside Tehran, even more of the retail outlets.

To enter the main Tehran bazaar is to penetrate a separate world. A labyrinth of cov*ered alleyways spreads over six* square kilometres, split up into different trades. Off the main passages are old open-air caravanserais, converted into warehouses for paper or wool · cotton—or more exotically carpets and spices.

A string of electric light bulbs along the centre of the curved brick roof illuminates street after street of cheap plastic goods, shoes or ready-made clothing. Tourists make a bee-line for the jewellery and sheepskin coats district, or for the carpets. But this is very much a working bazaar, concerned more with cooking utensils and rice rather than antiques.

The traditional *bazaar* is a complete community centre, not just a shopping arcade. It has its *hammam*, or bath house, a mosque and often a *madrasseh*, a theological college, along with the ubiquitous tea and coffee houses. Its great enemy has not been the supermarket but the town planner.

In many provincial Iranian towns the Pahlavi dynasty's zeal for broad boulevards and large roundabouts with statues of themselves has destroyed the integrity of the local bazaar. Cut up into different segments it *falls* prey to demolition for modern shops and banks.

Paradoxically, the period of greatest challenge from outside to the traditional bazaar way of life has also been a period of prosperity unprecedented in recent times. The consumer boom of the mid-1970s filled bazaar pockets and elevated shopkeepers and wholesale traders into owners of magnificent villas in exclusive northern Tehran. Many of them now travel abroad as a matter of course, often buying somewhere to live in England or California.

Queue

In the summer they queue up to change money at the banks, clutching notes worth thousands of pounds in their hands but unable to fill in the forms. They drive their children to Tehran's smartest schools in their big new BMWs, bazaar origins betrayed by a jaunty pork-pie hat.

A familiar sight over the past year has been truck loads of riot police ringing the bazaar areas. In the deserted strike-bound passageways pairs of policemen would patrol nervously, waiting for the angry harangue against the Govern*ment in the nearby mosque* to end and trouble to erupt as the excited faithful poured out into the streets.

With his anti-establishment background, it is hardly surprising that the bazaar merchant should be regarded with suspicion and mistrust by the authorities. For Western-trained economists he also became the main obstacle to development of a modern economy, especially through his control of the wholesale trade in staples.

In the past few years repeated Government anti-inflation campaigns, focusing on profiteering and hoarding, have been directed mainly at the big bazaar dealers and the small sellers dependent on them.

While the Government argues with considerable justification about the inefficient distribution methods of the old system, unable to meet the vastly expanded demand, it is also true that price and import licence manipulation by influential businessmen with the Government's ear has aggravated the situation considerably.

The Ministry of Commerce's first reaction to the post-1973 boom in demand was to set up its own direct import organisa*tions, especially for foodstuffs.* But these also proved extravagant and uneconomic so some trade has rec handed back to th sector.

The first departmen Tehran faltered, losi but the Kourosh cha by Iran's vehicle mag Khayyamis—has done branches open regula while supermarkets su growing mountain of luxury food and mar goods began by cateri large foreign commun capital, and now larg the lifestyle of Ir wealthy.

For the moment t appears to be holdin It remains a vital wh economy and it is li many years before it weakens substantially. to its survival will be ability of money; a r lated and controlle system may well gra up the sources of baz seizing up the works. hoped that accommo be reached with the m zealots so that Iran do not one day simp picturesque relics caravanserais before

Untapped wealth in minerals

IRAN'S SUPPOSEDLY vast mineral wealth has remained a source of comfort for Government officials and economists *whenever worries about the oil* reserves or the lack of manufactured exports crop up. Much of the country rests on a high ancient plateau, geologically ideal for ferrous and non-ferrous minerals. Preliminary exploration has confirmed the feelings.

Small-scale coal workings in the Alborz Mountains began in the early part of the century but petered out many years ago. Mining was then resumed after World War II in the Yazd and Kerman districts of central Iran, the source of richest deposits of coal, iron ore and copper. Privately developed open-cast coal mines provided a good income for a few individuals, *and until this decade* there was considerable reluctance on the part of the State to get involved.

All minerals were nationalised during the 1960s, though existing operations were allowed to continue under their own management. The coal and iron ore deposits were developed to feed the Russian-built steel mill outside Isfahan, but most hopes were being pinned on copper.

The British company Selection Trust's exploration work west of Kerman in the late 1960s led to grandiose official claims that Iran would be one of the world's top copper producers within the decade. Commercial production of concentrate begins at last in a few weeks' time from the giant Sar Cheshmeh site, at least two years behind schedule and at present low world prices losing —on private predictions—25 U.S. cents for every pound produced.

Sar Cheshmeh has been brought on stream by Anaconda, the American copper concern, after Selection Trust and its local partner proved unable to find the working capital required and the project was taken over by the State. The National Iranian Copper Industries Company (NICIC) has overall responsibility, with Anaconda on a highly lucrative cost-plus-fee contract to last for 10 years after the start of production.

Relations between the two sides have steadily deteriorated. NICIC now appears determined either to break the contract and bring in other foreign partners on a different basis, to provide the essential preliminary management and training work, or else to force Anaconda to reduce *the number of expatriates* on the payroll and bring in Iranian engineers instead.

Delays in finalising agreements on the construction of a refinery and rolling mill on the site mean that for at least 18 months Iran will be exporting blister copper. On the processing plant side the American partnership, Parsons-Jurden, has put up the concentrator and smelter, while the end processes are the responsibility of a consortium of Krupp and Mechim, the Belgian concern.

Delays

Other hold-ups, adding to cost overruns on the $1.4bn project, have come from problems at the tailings dam, to recycle the water, and from delays in erecting the main power transmission lines to the site. Communications to and from Bandar Abbas, the Gulf port 150 miles away which will be the export point, are presently along a difficult road: but the Government is committed to building a railway within the next five years.

Most of Sar Cheshmeh's product is destined for the domestic market — for telecommunications, the vehicle industry and, most important in strategic terms, ordnance. Eventually there should be an export surplus worth about $250m a year at today's prices. The development of the copper industry will therefore provide import savings but is not likely to make a significant contribution to export earnings.

Whether or not it becomes profitable depends on how world prices move. Mr. Mehdi Zargameh, NICIC's managing director, argues that Sar Cheshmeh can make money early on, with operating costs estimated in the region of 48 cents a pound. Unlike other Third World copper producers Iran has the advantages of its own fuel supplies and, he says, a wholly Iranian operation. But there are differing views within the administration. Dr. Gaffarzadeh, the deputy Industries and Mines Minister, says that prices in the 70 cents to 75 cents range are necessary.

The overal policy today on dividing up work in mining development between the public and private sectors is to hand over all downstream operations to the private businessman. In iron and steel, for example, he is to be encouraged to participate in all stages from casting and rolling down to the finished product. On copper, licenses have already gone out for the establishment of wire and billet plants in the Kerman and Yazd areas.

Private Iranian investment in the development of minor minerals is also permitted. Proven deposits of chromite, barytes, felspar, talc, kaolin, bentonite, solicium and Fuller's Earth are known to exist, thoug thheir commercial feasibility is uncertain. Lead and zinc have been worked on a relatively small scale for some years and exported as concentrates. Although the general principle is to create as much added value to the product as possible at home, only those considered "economically viable" will be processed domestically.

High quality stone such as marble and building stones are quarried in the south-east. Most of the marble is sent for export via Bandar Abbas, while the building stones have proved invaluable for the new highways under construction throughout that part of Iran.

As for precious metals and gems, turqoise and agate from the Mashhad region in the north-east is world-famous. All the output is small-scale and in private hands. No accurate figures are available but production appears to be on the decline. Most turquoise worked in Iran now comes from Afghanistan. Silver will be produced as a by-product from the copper operations.

Drive along the main Tehran to Isfahan road and you will be surprised to see a sign pointing "to the gold mines." Iran does not produce gold, after all. In fact there is some gold there, but foreign experts dismiss it as commercially unlikely, even at today's high prices.

A much better prospect is uranium, for which a reputed $500m is being spent on an intensive countrywide search by Uriran, a state agency. Good deposits were spotted in the east near the border with Afghanistan and Pakistan some four years ago but whether or not they are co viable requires furth

Foreign consulta Australia and South helping with the also providing advice mineral developmen But in general fore cipation has not bee in Iran. Some years Tinto Zinc was thou interested in involv this appears to h Iran's experience conda will in any further the terms o is prepared to acce help.

Disincentiv

But perhaps the b incentive to private in mining, whether b or foreigners, has bee of a clear-cut minin protect investment several years of p drafting and red mining Bill heavily by South African almost ready to be p Parliament.

The Bill is current viewed by various parties including mi according to Mr. G and will be sent to t the lower house, wh resume in the autu expected to come in the beginning of Iranian year next M general a freer han ploration will be giv private sector and finds will be "bette teed." Government incentives for exploit be provided.

For the moment t mineral potential re that, apart from the ore and copper. Co deposits of coal rem ped and new disco copper are being made in other part country. But most prospects alike are mountainous areas development costs very high. Opening developed area, cre jobs and putting in tial physical infrastru of course be set again necessities. It all de how much money is and where it is going from.

British TV gets under the American skin

BY ARTHUR SANDLES

ADES UNIONS are growing easingly restless about the ount of material "from the er side of the Atlantic earing on our television." I hear a yawn? Well, wait oment. That comment comes from London, but from New k, where the growing supply British-made television erial popping up on Ameri- screens is apparently begin- g to provoke irritation ng organised labour in U.S. w biz. To a European iving a seeming deluge of skies, Hutches, and Wonder men the fact that Britain is net exporter of television erial may come as something surprise. It has even been gested that the U.S. should oduce import restrictions to ch those of Britain which e a limit on the amount American material that can er the country.

he difference between im- s and exports is not a ginal one. A recent Depart- t of Trade investigation of and video traffic across the ntic showed that last year le Britain spent £9.2m on ing such programmes as ak and Bionic Women from States, the Americans spent n on a British package h includes everything from Muppets (ATV) to Survival glia). Without British im- s the U.S. Public Broadcast- System would be hard sed to fill its time.

he same Trade Depart- t investigation showed production in the UK also e a net exporter, to the le world, with British film panies spending £28.3m ad but earning £38.3m. equivalent TV figures are m bought and £35.7m sold). the case of television — although on both sides of the Atlantic there is a tendency to regard imports with concern—they are perhaps less a sign of cultural colonialism than of cross-fertilisation. While it is true that *The Muppets*, and even *Monty Python*, grab the headlines from time to time, the bread and butter of British exports to the U.S. are shows like *World At War* (Thames), *Upstairs, Downstairs* (LWT), *Horizon* (BBC) and *Survival*. Britain tends to buy from America the type of programme which it finds difficulty in making itself — drama series aimed at the middle market and made with film-industry budgets and techniques.

The British style of broadcasting, tending towards a culture mix rather than entertainment *per se*, throws up programmes which American television has problems in funding. British viewers who have not seen American television might be quite shocked at the low standard it offers outside networked "prime time" periods. The lavishness of peak time programming is not matched at other times.

As with all generalisations there are striking exceptions to this rule. *Holocaust* was hardly the sort of peak hour audience programme which the British have tended to expect from the States and ATV's new series *Return of the Saint*, which will probably be an inevitable target for American purchase, is made with a mid-Atlantic (although English-accented) panache which is surprising when it comes from British TV. By and large, however, Britain buys mass market audience grabbers from the U.S., and America buys specialist culture programmes from the U.K.

Nonetheless, the undisputed master salesman of screen works to the Americans from Britain is Lord Grade, whose *Muppets* continue to rule from coast to coast, and whose relative failure, *Space 1999*, is even still seen in ageing reruns. Lord Grade tends to mix film and television figures together when talking about sales levels. With his film, *Return of the Pink Panther*, about to be shown on U.S. TV this is hardly surprising — but even separating the figures Lord Grade's ability to gain widespread access to the American audience is impressive.

Golden target

Snapping at his heels in a purely televisual sense is the BBC which, licence fee limits on programme investment permitting should exceed £8m in world-wide overseas sales this year. Unlike ATV, Thames and even Anglia, the BBC does not have its own marketing subsidiary in the U.S., but operates instead through *Time Life*, which picks up royalties on its sales effort.

Even the BBC, however, has failed to achieve the golden target at which all British television companies aim — a regular networked slot on American evening television. So far this has only been achieved in recent years by programmes which are American productions based on British formulas and, often, using British scripts. The oldest runners in this field are *All in the Family* (the American version of *Till Death Us Do Part*) and *Sanford and Son* (*Steptoe*). The most recent success has been Thames' *Three's Company* which was the third most popular show in the U.S. last year.

Another sideways entry into the U.S. is co-productions. Although Lord Grade's ATV will have nothing to do with such potential profit dilution, the BBC indulges extensively in co-operative projects. Even *Horizon* has American money in it in the form of support from Boston's lively WGBH channel. One of the most persistent worries of outsiders is that the BBC's involvement in co-productions might tempt it into adjusting programme content to a wider audience. That this might happen is a suggestion flatly and consistently rejected by the Corporation.

Of course, the U.S. is not the only source of revenue for television companies but, as with most other things, it is the biggest single market. A programme which does succeed in hitting the networked prime time in the U.S. might produce well over £50,000 an hour for its maker, while in Britain a domestic company would consider itself extremely fortunate to get half that. Foreign exporters to the UK are normally paid around £6,000 an hour for the best of peak viewing material.

The UK is indeed second only to the U.S. as a market. The French and Germans both normally pay marginally less than the British for imported material and the nearest rivals to the British (according to the magazine Variety) is Canada. In many markets the winning of television cash is an uphill battle. Nicaragua, Bulgaria, Cyprus and Algeria are all countries which regularly pay programme suppliers less than £50 for 30 minutes of TV material. Even the Russians do not normally pay more than £300 an hour and rarely if ever buy films for television unless the sellers are prepared to take Russian goods in exchange.

Total British television exports are about one third of American sales for TV internationally but these two nations are the basic suppliers to the world. The UK performance is an impressive one given the relative size of the industry in each country. It has been suggested that if American film exports for foreign TV use were omitted, or British film company sales for foreign television included, the two figures would be much closer.

It is difficult to see any other country being able to compete with the U.S. and the UK in this field. English has become the international television language and is often readily accepted by audiences who cannot speak a word of the tongue.

International hunger for programme material is likely to increase and should provide rich outlets for UK programme makers. With more countries getting longer television hours and more channels they are quite often faced with demands on their own production resources which they are unable to meet. In many countries television stations are very basic operations, capable of showing imported ready-made materials or of putting on simple one-studio programmes of their own, but not equipped to handle anything more sophisticated.

Looking for Doctor orders: An advertisement in American television trade papers offering the BBC's sci-fi series to U.S. stations. The shows are being offered for syndication, which means sold station by station (administratively hard work) rather than for networking.

The showing of *Dr. Who*, Columbo, *Family at War*, or *Washington Behind Closed Doors* give a local audience a taste for a type of programme material which cannot be matched by local supplies.

The one threat at the moment to Britain's domination of "thinking television" is that America, too, is gaining a taste for serious programmes even for peak-hour viewing. The enormous success of *Roots* and *Holocaust* in stimulating discussion — and incidentally large audiences—has given the American programme makers the idea of making many more lengthy, heavyweight programmes. Thus, the image of the U.S. as a source of slick, but low-brow, material may be changing. This winter American audiences are likely to be treated to a whole series of "specials" including a dramatisation of Aldous Huxley's *Brave New World*.

As for the threat that American trade unions might start pressing for a limit to the amount of British material shown on American television, there seems no reason to take this particularly seriously. At the moment both the BBC and ITV limit foreign material to not much more than 10-12 per cent of total broadcasting hours, although the material does tend to be concentrated in the evenings. If Britain had access to that sort of proportion of American TV then our exporters would indeed be delighted.

Letters to the Editor

otor insurance d the EEC

Mr. Gordon Hafter

— I wonder whether your ring Correspondent could out from some of the major sh motor insurance com- es just why it is so much difficult in this country to permanent international r than it is elsewhere. We always told, and probably justice, that motor insur- in Great Britain is cheaper almost anywhere in the l, but certainly my son, who t some years in the U.S., felt he was insured there at least heaply as at home. More- without even asking for it, as automatically given the equivalent of a green card, at whenever he went across frontier into Canada he did have to make special ngements for extending his ance cover.

wever, after having re- d to work in Britain for years, when he recently a temporary post in Swit- nd, he found that it was impossible to get his in- ce company to issue him a green card valid for the e of the year, and eventu- he was driven to taking out w insurance with another any, giving him very re- ed cover (third party, fire theft only, owner only to and owner not covered driving other vehicles not ging to him) at a premium than double the previous lum he had paid for fully rehensive (any driver) in- ce in this country, although ad a full 60 per cent no is bonus and an accident- record for over 10 years.

viously the existence of the nel makes the regular use otor-cars abroad by English e much less common than who already live on the land of Europe and who cross frontiers almost daily. here must be many business e, particularly since the t of the Common Market, quite regularly take their abroad for business pur- Most companies appear ter only for the once or -a-year holiday traveller, even though one's policy cover use of the car for ess purposes, this use is st invariably excluded when- one applies for a green

This doesn't appear to be l in the spirit of Common et legislation requiring in- ce to be available through- he EEC so as to facilitate ree movement of labour. he restriction by insurance anies of EEC cover to the legal minimum may be reasonable if the insured not wish to pay any supple- but where he is willing y a reasonable surcharge, on their side should be g to extend cover to other pean countries on a perma- basis on the same condi- as the insured is covered me.

n Hafter.

urch Street, Old Isleworth, esex.

pinion akers

the Chairman, Market and on Research International

—The article by your cal Editor, Malcolm Ruther- on Saturday, September 9, ertently compounds a mis- standing which should be ted.

T's Political Correspondent, Haviland, introduced me on the ITN News on Thursday as "having a long and detailed discussion with the Prime Minister on Tuesday"—this is not true. The introduction was *not* cleared with me, despite my request to know how I was being introduced.

It is not true that I "admitted on television on Thursday evening that the advice he had given was that the Labour Party might have just squeaked home, but not with an overall majority." This was my interpretation based on the MORI poll in the Daily Express on Tuesday, an interpretation of a published public poll for all to see.

R. M. Worcester.

29, Queen Anne's Gate, SW1.

Telephone manners

From Mr. Adrian T. Lamb

Sir,—Regarding "Telephone Manners" from Mr. B. O. H. Griffiths (September 9), I would like to express agreement with his criticism.

The other point—Mr. Griffiths complains of being left "in limbo"—is that the person who is intruding on your privacy does not have the manners to tell you his name, and if he does he does not tell you what company he represents until he has found out who *you* are. Also, a practice which is not limited to telephonic manners is that of telling someone that one is called *MR.* So-and-So. I often want to say how unusual it is to be christened "Mr." but good manners restrain me, naturally.

I am sure that Mr. Griffiths has been asked "to hold on a moment, please" (possibly without the "please" sometimes) and found that the "moment" gradually expands into something like five minutes.

Adrian T. Lamb.

44, Portland Road, Stoneygate, Leicester.

After the Holocaust

From Mr. J. P. Gartside

Sir,—Chris Dunkley's appreciation of Holocaust (September 5) disappoints me. He acknowledges the "World at War" series as "scrupulous, detailed and harrowing": somewhat patronisingly he claims that Holocaust brings the same message to those who failed to tune in to the documentary record.

I, who watched both—as I'm sure did many other peak time viewers—was left with the rather sickening impression of on one hand a row of naked well-fed actors with the question raised "why did they not resist?" against a picture of human wretchedness which could never evoke the question.

J. P. Gartside.

4, St. Helens Road, Brigg, South Humberside.

Small but growing

From the Senior Press Officer, British Airports Authority

Sir, — In answer to the letter in the Financial Times (September 7) from Mr. D. W. Turner, Planning Director, British Airports Authority, in which he states that "Gatwick Airport is the tenth busiest airport in Europe, and the fastest growing."

May we point out that, in fact, Sumburgh Airport in the Shetland Islands, which is owned and operated by the Civil Aviation Authority, is Britain's fastest-growing airport.

Anne Noonan.

CAA House, 45-59, Kingsway, WC2.

Import quotas on cutlery

From the President, Federation of British Cutlery Manufacturers

Sir,—Those who do not want global control of cutlery imports will inevitably try to promote the concept of voluntary agreements. They just do not work. Currently the CSA is claiming some success in regard to voluntary restraint agreements with Korea. The picture they paint is a false one.

The company that I visited when I was in Korea is currently 15m pieces behind schedule. They are finding workers difficult to obtain as other sectors of the Korean economy expand, and at the moment there is a mad rush to beat the European quota system that becomes operative on January 1. So they can't take any more orders, and this applies to the other factories too, even if they wanted to. This is the true situation and it is wrong to claim that the voluntary restraint agreement is in any way responsible for it.

Every year European customs computers measure the amount of cutlery coming in from the Far East. Once it reaches a certain level, about 19 per cent duty applies on all further shipments for that calendar year. Consequently importers place their orders to come into the UK into bond during December, for release to customs on January 1. It is expected this year that the limit before duty is applied, will end round about January 10, and everything that is cleared through the customs before that date will be duty free. With some importers operating on the scale that they do, this is a significant sum to save, and consequently most importers schedule their orders in a way that gives them a chance of beating the duty deadline.

Little wonder that the Korean factories are busy at this time. The situation will of course change once the duty deadline period is passed.

Any Press support that is given to encourage the idea of voluntary restraint is against the interests of the cutlery industry and in particular cutlery workers. When I was in Korea I formed the impression that Korean cutlery manufacturers were happily agreeing with countries like the UK and America to voluntary restraint agreements as a cosmetic device to stop other big business interests in Korea from putting down more cutlery plant. Make no mistake, when the Korean cutlery factories are short of work they will not honour voluntary restraint agreements. The only thing that will bring back real investment and security into the cutlery industry is global quotas.

The Government consistently urges industries that are threatened to endeavour to negotiate voluntary restraint agreements with countries that threaten them. It is a soft option. It doesn't upset GATT or the Treaty of Rome. Unfortunately it doesn't do anything else either as has been proved on many occasions with perhaps motorcars today's most glaring example.

Please do not give encouragement to voluntary restraint agreements in your columns. You would be playing into the hands of those whose best interests would be served by giving government an excuse for delaying the pressing need to gradually impose global quotas against all unfair competition from all sources.

A. J. M. Price,

Anthony Road, Saltley, Birmingham.

By train to Heathrow

From Mr. James King

Sir,—With the reduction in car parking spaces at Heathrow following the new security measures, I can only pray that British Rail will take this golden opportunity to both improve the lot of airline passengers and airport staff and at the same time increase its market share of these people travelling to the airport.

How can British Rail do this? By simply increasing the frequency of the connecting railway coaches at Feltham Station. The Waterloo lines which pass through Feltham serve several areas where airline staff and passengers live—Richmond, Camberley and Wokingham to name but a few. The trains are frequent, but they must be matched by a better coach frequency if the service is to be competitive. British Rail might also like to improve the standard of the coaches on the service.

James King.

44, Le May Avenue, SE12.

Rail link to Gatwick

From Mr. W. C. F. Butler

Sir,—Councillor Shenton (September 8) fails to mention two of the most infuriating features of the rail link from Victoria to Gatwick. Provision of luggage trolleys for passengers' use at Victoria is the worst I have experienced at any London terminus, and BR seem wholly unable to arrange for them to be brought back from the station entrance to the platforms (needless to say, those furthest from the tube) used by the Gatwick trains. I have several times scoured the entire station and forecourt unsuccessfully for a trolley, missing a connection in the process. At Gatwick itself it is impossible to push a trolley from the air terminal on to the platform because of intervening stairs, and no passenger-operated lift is provided.

These inadequacies are long-standing, and it would be interesting to know just what the impediments to improvement have been.

W. C. F. Butler.

70, Valley Road, Welwyn Garden City, Herts.

Helicopter horrors

From Miss C. A. W. Payne

Sir—Any benefits conferred by the new helicopter service between Gatwick and Heathrow also have their dark side. The complacency shown by the Planning Director of the British Airports Authority (September 7) is not shared by those unfortunate enough to live below its flightpath. What used to be quiet and pleasant country close to London is now truly spoilt. To what end?

C. A. W. Payne.

10, Buckingham Gate, SW1.

Today's Events

GENERAL

Liberal Party Conference continues, Southport (until September 15).

Second day of European Central Bankers monthly meeting, Basle.

European Parliament in session, Luxembourg (until September 15).

SU Fuel System toolmakers at ?L to meet Birmingham East district committee of Amalgamated Union of Engineering Workers.

Mass meeting called for striking machinists at Leyland's Bathgate, Lothian, plant.

U.S., Egyptian and Israeli leaders continue talks at Camp David on Middle East.

National Consumer Council statement on its economic manifesto.

British Institute of Management annual report.

Atomic Energy Authority annual report.

Commission of the European Communities symposium on Enforcement of Food Law opens in Rome (until September 15).

Mr. Takeo Fukuda, Japanese Prime Minister, and Mr. Sonao Sonoda, Foreign Minister, end talks in Saudi Arabia.

Mr. Cecil Parkinson, MP, Opposition Spokesman on Trade, speaks at dinner of Trade Policy Research Centre, Waldorf Hotel, WC2.

Last day of United National Conference on Technical Co-operation between developing countries.

Sir Peter Vanneck, Lord Mayor of London, returns to London following his official visit to Latin America.

OFFICIAL STATISTICS

Building Societies' receipts and loans (August).

COMPANY RESULTS

Final dividends: John Haggas. Kennedy Smale. Christopher Moran Group. Staffordshire Potteries Holdings. Interim dividends: Astbury and Madeley (Holdings). Banro Consolidated Industries. Barton and Sons. British Mohair Spinners. British Syphon Industries. Danish Bacon. S.W. Farmer Group. Pentos. Reckitt and Colman. Willis Faber. Interim figures only. Renown Incorporated. L. Ryan Holdings.

COMPANY MEETINGS

Associated Leisure, Dorchester, Park Lane, W, 12. Sekers International, Silk Mills, Hensingham, Whitehaven, Cumbria, 12.

SPORT

Football: Announcement of England squad to play Denmark in the European Championships. Boxing: British light-middleweight championship, Wembley. Yachting: World Tornado Championships, Weymouth. Dragon European Championships, Torbay. Cycling: Tour of Ireland.

LUNCHTIME MUSIC

Organ recital by Harold Dexter, St. Botolph, Aldgate, 1 pm. Organ recital by Margaret Phillips, St. Lawrence Jewry next Guildhall, 1 pm.

COMPANY NEWS + COMMENT

Bowater slips to £42.5m after six months

FOLLOWING THE warning at the AGM of a slow start to the current year **Bowater Corporation** has turned in group pre-tax profits £2.2m lower at £42.5m for the first half of 1978—the same level as achieved in the second half of last year.

Lord Erroll, the chairman, states that in recent months somewhat better results have been achieved. He hopes to see some improvement in trading conditions in the second half but points out that the volatility of foreign exchange markets could affect the sterling value of the year's result.

For the UK the chairman reports that the market for most of the group's papers, including tissue, is strong but the price structure for domestic newsprint, due to the decline in the value of the dollar, remains unsatisfactory.

Demand for packaging products did not reflect the increase in consumer spending in the early part of the year and there is, as yet, little evidence of an improvement in the second half.

In North America the paper mills have continued to operate at full capacity and, because of the group's strength in southern U.S., the chairman expects this level of demand for the group's products to continue. The earnings of the Canadian mills have benefited from the further operating efficiencies and the weakness of the *Canadian dollar*.

Lord Erroll says that world imbalance of supply and demand for market pulp has improved to a point where stocks are down to normal levels and prices are hardening. He expects this to be of some help to mills in the current year but the real benefit should be felt in 1979.

Commodity trading profits have continued at last year's satisfactory level and the extension of the cotton interests into the western U.S. is fulfilling expectations.

In Europe the better performance of the industrial and transportation companies has continued and further expansion in transport is being pursued.

If re-stated at June 30, 1978 exchange rates, the pre-tax profit for the 1977 half year becomes £42.4m. Profits attributable to *ordinary holders come through* at £15m (£15.6m) with earnings per £1 share appearing at 10p (12.1p). The earnings per share reduction reflects mainly the capital increase of £24m resulting from the rights issue in 1977 and conversions of loan stock in the current year.

	Six months 1978 £m	1977 £m
Sales	788.5	849.9
Profit before tax†	42.5	44.7
Taxation	23.1	25.1
Net profit	19.4	19.6
Minorities	4.2	3.8
Attributable	15.2	15.8
Preference dividend	0.2	0.2
Attributable ordinary	15.0	15.6

†After depreciation £16.2m (£14.9m). Interest payable £11.1m (£12.5m) excluding £0.7m in respect of banking subsidiaries and after deducting £3.8m interest receivable.

Income earned in the UK in the half-year is in excess of the amount required to cover advance corporation tax on the interim dividend.

The interim dividend is raised from 4p to 4.06p and in addition there is a supplementary payment of 0.08p in respect of 1977. The total paid last year was 9.78636p from profits of £87m.

See Lex

INDEX TO COMPANY HIGHLIGHTS

Highgate Optical up 18.7%

UNCHANGED SECOND half pre-tax profits of around £73,200 for **Highgate Optical and Industrial Company** left the total for all 1977 up 18.7 per cent at £209,222 compared with £176,288. Turnover fell from £4.16m to £3.9m.

After tax of £126,155 (£133,747) and adjustments for the sale of stock written down in the previous year and extraordinary items, available profits rose 48.4 per cent to £105,853.

Earnings per 10p share are given as 4.1p (2.1p) and a final dividend of 1.801p makes the maximum permitted net total of 2.428p (2.174p).

The company has "close" status.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Borelli Tea	10	Oct. 18	9	10	9
Bowater ....int.	4.06	Nov. 6	4.0	—	9.87§
BSR ....int.	1.41	Nov. 18	1.27	—	4.77
Robt. M. Douglas	2.58	Oct. 19	2.20*	3.46	3.09*
Evered ....int.	0.35	Oct. 13	0.2	—	0.4
Excalibur Jewellery	0.27	Oct. 25	0.24	0.53	0.48
J. Fisher ....int.	0.86	Oct. 27	0.76	—	1.54‡
Harrisons Malaysian Ests.	2.75	Oct. 24	—	4	—
Highgate Optical	1.8	Oct. 27	1.61	2.43	2.17
Joseph Holt ....int.	0.67	Oct. 2	0.66	—	2.17
Home Counties News. int.	1.5	Oct. 30	1.25	—	4.5
Merchants Trust ......int.	1.25	Oct. 27	1	—	2.6
Pentland Inds. ......int.	0.24	Nov. 1	0.21	—	0.66
Stewart Plastics	1.97	Oct. 30	1.79	3.12	2.79
Tricentrol	0.84	Jan.	0.66	—	1.32
Winchmore Trust ...int.	0.4	Oct. 6	0.35	—	2.81

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Includes supplement 0.0117p. § Includes supplementary 0.08p now declared.

James Fisher falls to £1.43m in first half

INCLUDING A reduced amount of £109,094 against £908,570 from extraordinary items, and £52,755 compared with £189,385 from interest and dividends received, pre-tax profits of **James Fisher and Sons** dropped from £1,842,226 to £1,429,768 for the first half of 1978.

Turnover of the shipowning and ship and insurance broking group, improved from £4.97m to £5.89m. The result was subject to tax of £30,147 (£29,200) and stated earnings increased from 11.88p to 16.96p per 25p share.

The directors say they hope the advance in earnings will extend into the second half, but point out that some effect must be expected from the customary seasonal fall-off in trade in the latter part of the year.

The net interim dividend is stepped up to 0.86p (0.755p) per share, with a supplemental final of 0.117p also to be paid in respect of 1977—last year's final was 0.77p from £2.23m taxable profits.

Downturn at Robert Douglas

SECOND HALF profits of **Robert M. Douglas Holdings**, civil engineer, builder and contractor, *fell from £1.72m to £1.44m, leaving* the total for the year ended March 31, 1978 down from £3.2m to £2.89m.

After tax of £1.07m (£1.47m) the net profit comes through at £1.83m against £1.73m with earnings per 25p share appearing at 18.1p (17.1p). There are extraordinary debits of £28,090 (£32,463).

The dividend is effectively increased from 3.0992p to 3.4608p net, with a final of 2.5803p. Dividends have been waived on 99.9 per cent of both interim and final.

Group land and buildings in the UK and Eire, with the exception of certain short leasehold properties, were revalued at open market value at their existing use basis as at March 31, 1978. The resultant surplus of £1,147,510 over book value has been credited direct to reserves.

BSR reduced by £2m. at halftime

FOLLOWING LAST year's setback, when profits fell from £28.75m to £19.6m, *BSR*, the record changer and player mechanism manufacturer, reports a reduction from £12.2m to £10.15m in the pre-tax balance for the first half of 1978. Turnover was ahead from £68.34m to £73.87m.

Mr. J. N. Ferguson, the chairman, explains that in the sound reproduction division, sales were down on the 1977 period largely due to the rise in the value of the pound though there was a small increase in unit volume. However, margins *came under* pressure due to increased costs, higher wages with no real improvement in productivity, loss of production due to industrial stoppages and high tooling and start up costs for a completely new range of units.

In addition, sales of the consumer products division for the first few months of the year were depressed though in the last month or so of the half year there was a substantial increase in demand, says the chairman. Foreign imports of enamelware and the re-structuring of the marketing organisation have curtailed any improvement in the Judge Group which continues to trade at a substantial loss and which adversely affects the results of this division.

The interim profit included a lower net exchange gain of £1.07m against £2.47m.

The chairman reports that *orders* for record changers continue to remain reasonably strong from both North and South America, while demand from the UK, Europe and South Africa is showing an improvement over the earlier part of the year. Although part of this may arise from a replenishment of stock levels in advance of the main selling *season* he feels it can also be attributed to the acceptance of the group's new product lines.

However the audio market has become very competitive particularly from overseas record player makers. Also it has become extremely difficult to pass on increased manufacturing costs as well as the adverse effect of a much stronger pound on margins to customers at this time of year.

*In the consumer divisio*n intake has been running improved levels since Ju[ne] [pro]vided the current trend [in con]sumer spending continues [through]out the remainder of the [year the] division should trade m[ore] profitably in the second si[x months] as finished products ha[ve been] built up in anticipation of higher level of demand [than] experienced earlier in th[e year].

The interim dividend [is in]creased from 1.2653p to [...] net—*the total for 1977 wa*[s ...]

After tax of £3.73m the net profit was £6.42m [against] £7.98m to which is credit[ed extra]ordinary items of £718,65[5].

	1978 £
Turnover	73,866,419
Trading profit	10,068,[illegible]
Net in. etc. received	95,[illegible]
Loan interest	17,487
Profit before tax	10,145,793
Taxation	3,728,983
Net profit	6,416,810
Extraord. Audits...	718,655
Interim dividend	1,259,289
Forward	64,407,294

See Lex

Decline [at] Stewart Plastics

AFTER A small midway [...] £709,365 to £747,879 pre[-tax profits] of Stewart Plastics e[nded] April 30, 1978, year d[...] £1.52m to £1.51m.

Turnover for the year [rose from] £5.55m to £6.27m whil[e interest] receivable was down fro[m ...] to £167,865. After tax [...] (£0.81m) net profit [...] ahead from £0.7m to £[...] earnings per share are 16p against 15.6p.

The final dividend [...] takes the total from 2.79[p per] 25p share to 3.1166p. Aft[er ...] of £37,418 (£36,100) [...] absorb £52,355 (£45,33[...]) retained profit at £0.64[m].

Home Counties dispute losses

ALTHOUGH A two week stoppage at *its Ilford plant has cost the* group some £30,000 in the period, taxable profit of **Home Counties** *Newspapers expanded from* £285,000 to £429,000 in the June 25, 1978 half year. Turnover rose from £2.85m to £3.74m.

Directors say the stoppage and its associated problems are estimated to have cost a total of £135,000, with the remaining £105,000 relating to July. In such circumstances they say it is impossible to predict the outcome for the second half year.

The result is subject to tax of *£232,000 (£151,000)*, and earnings *per 25p share are shown ahead* from 5.36p to 7.88p. The interim *dividend is up from 1.25p to 1.5p* Last year a 3.25p net final was paid from record pre-tax profits *of £685,000.*

In volume terms, advertising space increased by well over a tenth and profits jumped by 50 per cent. Display for situations vacant *has* been *particularly* strong in spite of record levels of unemployment while property ads have held up well. However, while the group should continue to make good progress, there is only a slim chance in the current year of making a full recovery to 1973's peak profit level of just under £1m; the industrial problems at Ilford cost around £135,000 of which more than £100,000 will come out of second half profits. The shares at 90p yield a prospective 8.5 per cent, compared with a sector average of just over three per cent, which no doubt reflects the erratic profits record.

● comment

Home Counties' first half results reflect the buoyant demand for classified advertising, which provides the bulk of revenues for most regional newspaper groups.

M. WISEMAN DOWN £56,000

Improvement in taxable earnings from £352,000 to £377,000 by **M. Wiseman** in the second half *left the total marginally down at* £825,000 against £881,000 for the year to March 31, 1978.

Afrter tax of £7,000 (£45,000) the net balance emerged at £818,000 (£836,000). The company, which makes and distributes opthalmic optical instruments is controlled by UKO International. The comparative figures exclude results of subsidiaries sold in 1978.

E. C. Cases *moves into* the red

Mainly attributable to an adverse product mix in the garden products department compounded by distribution difficulties, **E. C. Cases** incurred a pre-tax loss of £14,243, in the first six months of 1978, compared with a profit of £59,984 previously.

Thus the expected level of sales achievement was only beginning to be realised in the second quarter, the directors state. Losses in the pallet department have been reduced despite lower sales.

Turnover of the makers of garden sheds, fences, pallets and packing cases dropped from £2,558,986 to £2,131,627 in the first half, and the loss was after providing £12,723 (£48,947) for non-recurring charges. Interest charges took £30,992 (£7,790) and there is *no tax charge (£30,000)*.

Again there is no interim. For all last year a pre-tax profit of £104,812 was reported and no dividend was paid. The last payment was 0.6435p in 1976.

Directors say the Multyflex receivership continues, but the final result is not expected to be other than as indicated in the accounts for 1977.

Progress to £0.11m for Evered

FROM SALES of £5.87m, against £5.57m previously, taxable profit of **Evered and Company Holdings** climbed from £66,000 to £110,000 in the first half of 1978.

The result is after interest of £46,000 (£53,000) and is subject to tax of £11,000 (£1,000). Earnings per share are shown at 1.5p against 1.1p and the interim dividend is up from 0.2p to 0.35p net per 25p share. On total profits of £119,671 in 1977 a 0.2p final was paid.

Directors say the prospects for the second half are reasonably encouraging and they expect profits to show a substantial increase over those of 1977. In the three year's prior to 1977, losses *of £1.02m were incurred.*

In July the vacant building formerly occupied by the controls division at Smethwick was sold for £125,000 cash and in a full year this will result in a useful reduction of overheads.

The group manufactures non-ferrous strip, tube and extrusions, industrial and consumer products and plastic materials, castors and wheels and locks and security systems.

Excalibur hits peak £835,000

FOLLOWING AN advance from £382,055 to £470,218 in midway profits, **Excalibur Jewellery** ended the year to April 30, 1978 with a record £835,499 pre-tax, compared with the previous year's £692,717.

After tax of £401,440 against £61,657, net profits dropped from £631,060 to £434,059. A final dividend of 0.2714p net lifts the total payment to 0.5348p (0.4789p) per 5p share.

Midway rise for Pentland Industries

The Board of **Pentland Industries** is confident that 1978 will see a further strengthening of the group's position.

For the first *half* of the year, turnover has advanced £2.17m to £9.14m and profits before tax are ahead £94,000 at £261,000.

The interim dividend is raised from 0.211p to 0.236p net per 10p share, and there is an additional 0.0068p for 1977 following the tax reduction. For the whole of 1977 total dividend was 0.662p paid from profits of £618,000.

	First half 1978 £000	1977 £000
Turnover	9,140	6,970
Profit before tax	261	167
Taxation	68	38
Extraordinary credits	-13	—
Minority	37	16
Available	179	115
Dividends	25	22
Retained	154	93

Pentland is an industrial holding company specialising in international trading, sports equipment under the trade name Airborne, footwear and other merchandising of all kinds. It is controlled by Robert Stephen Holdings.

Henderson Kenton trading well

At the annaul meeting of **Henderson-Kenton**, Mr. David Hyman, the chairman, confirmed the optimism mentioned in his annual statement.

Both turnover and profits continued the buoyant trend of the March quarter when real volume growth was seen for the first time for over a year. Trading continued to be exceptionally good and this would be reflected in the half year figures, he said.

Merchants Trust grows

After tax of £407,807, against £415,251, net revenue of **Merchants Trust** advanced from £634,114 to £769,840 for the six months to July 31, 1978. Earnings per 25p share came out 0.22p higher at 1.48p.

Half-time net asset value stood at 100.3p (86.8p) or on a fully diluted basis 100p (86.5p). The net interim dividend is stepped up to 1.25p, campared with 1p last time, and the directors intend to pay a final of at least 1.65p. The final for 1977-78 was 1.6p.

Total gross revenue for the half-year reached £1.47m (£1.19m) and expenses amounted to £237,264 (£119,063).

INCH KENNETH KAJANG

For the first half of 1978, **Inch Kenneth Kajang Rubber** incurred a taxable loss of £16,932, compared with a £72,711 profit last time.

In the report on September 2, the loss was inadvertently given as £75,777, which in fact related to the equivalent in Malaysian dollars.

Change Wares £1m rig[hts] U.S. takeover in hand

Mr. Geoffrey Rose, chairman of Change Wares, revealed plans yesterday for a £1m cash call from shareholders by a rights issue of Ordinary shares.

He also announced that the directors are currently negotiating with Bastian-Blessing, a U.S. company where some Change Wares directors have substantial shareholdings, with a view to a take-over of the American company.

Mr. Rose said that he was investigating the possibility of a "paper and cash" deal for Bastian-Blessing.

Terms of the rights issue are three new Ordinary 10p shares for every five Ordinary or participating Preferred shares held at a price of 12p each. In the market prices held steady with the Ordinary at 22½p and Preferred at 28p.

The right's proceeds will be used to develop the business by acquisition, as well as for internal growth and to provide cash for additional working capital.

Bastian-Blessing is far larger than Change Wares in terms of profits and market capitalisation. B-B made profits in the last calendar year of $2.7m (£1.39m) and has some 12m shares in issue priced in the market at $1.50, giving it a market capitalisation of $18m (£9.3m).

In contrast Change Wares is forecasting pre-tax profits for the current year of over £[...] the *market capitalisati[on ...]* ing on an ex-rights basi[s ...]

Three Change Wares [directors] Mr. J. L. Kropf, Mr. B. [...] and Mr. D. J. Sulliva[n] control 40 per cent o[f the] equity and they are als[o ...] of Nytronics, which [holds] another 40 per cent of [...]

Mr. Rose and his colleagues have beco[me known] for buying into com[panies in] financial difficulties. [Change] Wares was the first [...] and since then Mr. [...] moved into Crellon a[nd ...]tronic.

Last September Cha[nge Wares] shareholders were calle[d on to] raise £½m by an issue [of partici]pating preferred shares made to reduce bank [...]

On September 1, 197[8 the com]pany had outstanding [...] of £2.3m. Shareho[lders' funds] stand at some £5m.

Along with the prof[it forecast] comes the indication [that the] directors intend to pay [an interim] dividend of 0.2p per sh[are and] 0.4p for the year. If [profits] continue to increase th[ey] expect to pay 0.6p for [...]

The directors intend [to take up] their rights in respect [of shares] representing not less [...] per cent of the compa[ny].

The issue is under[written by] Energy Finance and [General] Trust.

See Lex

CHEVRON STANDARD

Chevron Standard, a unit of Standard Oil of California, has discovered oil on its land near Wildwood, Alberta. Chevron Standard says that during testing production was as high as 800 barrels a day.

Tricentrol ahead £2m. so far as Thistle oil flows in

WITH ITS UK oil and gas operations making a strong second quatrer contribution and automotive operations advancing from £0.79m to £1.42m, taxable profit *of Tricentrol jumped from £2.46m* to £4.45m in *the first half of 1978*, to exceed the 1977 full year result by £0.6m.

From its 345,000 barrels share of second quarter Thistle Field production Tricentrol Oil Corporation produced turnover of £4.02m and a trading profit of £1.86m *for the half year with the first* quarter profit share amounting to £17,000. The net result from North Sea operations was £622,222 after allowance for corporation tax of £767,000 and petroleum *revenue tax of £474,000.*

As the system of allocation from the field does not exactly match the partnership shares over a short period, Tricentrol's actual lifting in the period was 640,835 barrels. A further cargo of 643,879 barrels was landed and sold in July, directors say.

The half year result is after depreciation of £0.68m (£0.37m), and depletion charged for Tricentrol Oil Corporation of £1.07m (nil), and for the U.S. side *of £0.43m (£0.42m).*

It is now expected that the Brent system and the Thistle-Dunlin-Cormorant pipelines, together with the Sullom Voe terminal, will be able to accept crude by the end of October this year. Loading of Thistle crude at Sullom Voe is expected to start in November, although production over the SALM may continue beyond this date.

Overall turnover of the group for the half year was £71.17m against *£44.9m last time*, with the UK automotive division share £41.13m (£23.3m) and the trading side contribution £16.22m (£11.26m).

Because of the exceptional strength of the car business and the seasonal nature of the garden trade, the directors do not expect the second half of the year to see contributions at the same rate. The Ford *main* dealership acquired in July 1977, Brown and White (Holdings), accounted for £7.8m of turnover and £0.3m of profit, and the directors say the car group's strength continues to come mostly from the Ford dealerships.

The truck group continues to move ahead satisfactorily and the travel group had a good half year, with the coach and travel agent sides performing above expectations in the second quarter.

With North American oil and gas operations, the total trading contribution dipped from £1.52m to £1.32m, with the Canadian side down from £0.82m to £0.78m. Because of weak demand, Canadian crude *sales* averaged 1,550 barrels per day compared with 1,683 barrels previously, *while natural gas sales fell from last year's exceptional 11.2m cu ft* per day to 8.3m cu ft.

In the U.S., natural gas sales were down from an average 16.5m cu ft per day to 14.7m cu ft *as a result of lower demand and the late connection of wells drilled* late in 1977.

The continental Europe trading operation reduced losses to £50,000 in the second quarter to leave the first half loss at £171,000 against last year's £111,000 profit. Sales volumes in Dutch guilder terms were 4 per cent lower in the period and with no signs *yet of an improvement*, directors expect the full year to remain difficult.

The company will shortly devote more time and effort to the planning phase of a more effective Tricentrol expansion in Europe. Directors are conscious of the need to distinguish between the existing difficulties faced by the management of heating and air treatment businesses and the group's overall principal theme of energy-related activities, they say.

	Half year 1978 £000	1977 £000
Turnover	71,167	44,902
UK oil and gas	4,818	—
N. American oil, gas	3,839	4,191
UK automotive	41,126	23,302
UK trading	16,220	11,253
Europe	4,285	4,331
Australia	218	215
Canadian trading	1,333	1,583
Trading profit	4,930	2,626
UK oil, gas	1,863	†31
N. American	1,324	1,517
Automotive	1,421	794
Trading	592	295
Europe	†171	111
Australia	19	—
Canada	†79	†40
Research	101	21
Central costs	247	126
Interest payable	179	172
Interest receivable	143	282
Exceptional loss	*33	124
Profit before tax	4,453	2,462
Tax	¶1,387	346
Net profit	3,066	2,116
Loan stock interest	5	33
Attributable	3,061	2,083
Dividend	329	241
Retained	2,732	1,842

† Loss. * Loss on close down of trading operations in Australia and South East Asia. ¶ Comprises taxes payable by Tricentrol Oils £45,000 (£98,000), credit from Europe £81,000 (£42,800 charge) and ACT writen off £182,000 (£124,000). Deferred tax for Tricentrol Oil Corporation of £1.24m, comprising corporation tax of £767,000 (nil) and petroleum revenue tax of £474,000 (nil).

In Australia, reasonable profits are expected in the second half following the small first half profit, while in Canada the group is shutting down branches outside Vancouver to reduce overheads and ultimately to return to profits.

Net profit for the half year came out at £3.07m (£2.12m) after tax of £1.39m (£0.35m). The interim dividend is stepped up from 0.66p net per 25p share to 0.8373p. *Last time a 0.66p final was paid on record profits of* £8.84m.

On the exploration front Tricentrol is involved in a well designed to test a potentially productive fault block north of the Thistle Field. The well was spudded on August 18. Seismic *results from a survey of blocks* 14/16 and 14/17 awarded in the fifth round are being processed and technical evaluation of open areas prior to the announcement of the sixth round of applications *has also continued.*

The group has also applied for acreage offshore Australia and has other prospects in South East Asia and Australasia under examination. It is also studying opportunities to extend interests into Europe, South America and the Mediterranean.

In North America it has arranged an additional medium term loan of $25m to maintain the impetus of exploration there.

● comment

Tricentrol's first half figures underline the profit metamorphosis the group is currently undergoing. The first crude from the Thistle Field came ashore during the second quarter and Tricentrol's share added £4m to group turnover and accounted for most of the pre-tax profit increase. But stripping out the Thistle contribution, the figures are still quite strong with the UK industrial division performing particularly well. In North America the results were a little down on the first half of the previous year due to lower demand for crude oil in Canada and natural gas in the U.S. But it is the Thistle Field that will be controlling Tricentrol's fortunes for the next few years. Some of the benefits have been passed on to shareholders by way of a 25 per cent lift in interim dividend. But the group has yet to make public any concrete plans for the big jump in cash flow, although the first priority will be to repay the outstanding loans. The company has indicated it is interesetd in staying an energy company but is prepared to look at all sectors of the worldwide energy related industry. With the oil flow from Thistle building up, Tricentrol's full year after tax profits are likely to be around £8m. With the shares selling at 184p the prospective p/e is almost 9 and the yield (assuming a 25 per cent increase in total dividend) is 1.4 per cent.

Hong Kong industries face a growing labour shortage

BY RON RICHARDSON

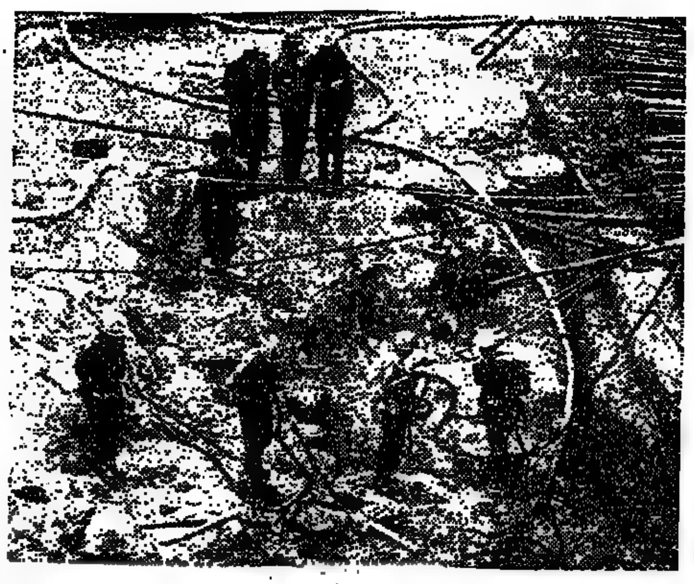
…MING, OVERCROWDED …Kong is short of labour. …res released recently from …latest labour force survey …in March showed that …60,000 workers out of the …y's estimated labour force …m were unemployed. This …a record low unemploy… rate of 3 per cent — full …oyment by most inter…nal standards — and an …lower 2.3 per cent if U.S. …itions relating to minimum …of job seekers and hours …rk are applied.

…a number of industries, …lity to recruit workers is …ng back output, while in …s wages have risen rapidly …mployers seek to attract …from rival companies or other industries. Warnings already begun to appear — recently in the Hong Kong Shanghai Bank's quarterly …omic report — that the …ination of over-full em…nent and competitive wage …poses the threat of …sive inflation.

…number of manufacturing …stry leaders, especially in …textile, clothing and ship…ping industries, have called …e import of foreign labour …lp alleviate the short-term …s of the labour shortage. Philippines and Thailand been mentioned as sources …migrant workers. However, Government is strongly …ed to the import of labour than workers possessing …al skills or for certain …al projects, because of problems that they would such as the shortage of …ng.

…addition, Government …ls point out that distor… have appeared in the …r market due to the large …er of labourers and skilled …rs now engaged in con…ion of the Mass Transit …ay and because of the in the building industry. …er of these drains on the …bility of factory workers …manent, they argue.

…construction boom …nly seems to be a big in the tight labour …t. Last year, employment …anufacturing industry fell …net 20,000 workers, while …dditional 15,000 workers employed on sites in the …uction sector. Factories felt the pinch the most.



Glyn Genin

Excavating the Mass Transit Railway: distorting the labour market

Between the end of the third quarter of 1977 and the end of the first quarter of 1978 the total number of people employed overall rose by 69,000, but only 10,000 of them went into manufacturing industry. In fact, at the end of March there were 58,000 recorded vacancies in manufacturing compared with the total unemployment figure of 60,000 (and only about 33,000 of those were actually looking for jobs).

The squeeze is starting to be felt in Hong Kong's all-important export sector. The textile trade has been losing workers for some time. In the year to last September, 38,000 men and women moved out of the textile and garment industries and went to work in other types of factories, or in commerce or construction.

Partly this was a reflection of a falling-off in orders after the boom conditions of 1976, when buyers all over the world built up depleted inventories. But it was also a result of labour being lured away by other industries —such as electronics—which could offer better pay or conditions. Cotton-weaving establishments have been plagued by the loss of skilled workers and have turned to higher cost technology, installing the most up-to-date shuttleless looms in order to maintain output with enhanced productivity. Elsewhere, manufacturers of rubber footwear, watch cases and bands, aluminium and steel kitchenware and enamelware all report difficulty in filling their overseas orders because they cannot hire the skilled staff they need.

The fast-growing electronics industry, itself one of the drains on labour from textile factories because of its ability to offer better working conditions in modern, air-conditioned factories, is now fighting to hold on to its workers. The chairman of the Hong Kong General Chamber of Commerce electronics committee, Mr. Allen Lee, reported that wages throughout the trade had risen by 20 per cent on average in the first half of the year. The sector is also quickly introducing more automated production lines to raise productivity.

In the case of the electronics firms, the Mass Transit Railway is also taking away skilled technical staff as the computerised equipment which will regulate the underground system is delivered. The railway is due to start operating on its first section of track in the middle of next year.

Overall, manufacturers raised real wages by nine per cent in the year to March as they struggled to keep their workers. This was about twice the rate of increase in consumer prices in the same period—and well above the rate of productivity gains. But the rise must be viewed against one of about twice this level in wages in the construction industry.

So far, the added cost of higher wages on export goods has been cushioned by the fall in the value of the Hong Kong dollar (largely a reflection of capital flows rather than trading problems).

However, the weakness of the currency is not expected to continue much longer as interest rates in the colony move up towards those prevailing in other money centres. When this happens, it is expected that some real economies will have to be implemented in the use of labour in Hong Kong.

A brighter outlook

THE LIFE expectancy of people in China is rising so quickly that it may soon match those of highly-developed countries. Recent world-wide surveys by independent demographers have put the average Chinese lifespan at 62 years. However, internal statistics show that in some regions it is 70 or more—a year or two less than in countries such as Japan and the U.S. The increase is largely a result of China's rapidly-improving living standards and medical care system.

Although by Western standards the nation undoubtedly has pockets of poverty, China's development has removed starvation and malnutrition as real threats. The UN Food and Agriculture Organisation lists China among those Asian countries which meet fully the food needs of their poulations. The increase in standards of public health, both in cities and rural areas, is a result of the growth of China's broadly-based and effective medical servies.

The New China News Agency recently described the radical changes in the lives of the 10m people of Yentai prefecture in east China's Shantung province. In 1945 the average lifespan of the prefecture's peasant farmers and fishermen was 40 years. Half of the population lived under the threat of starvation, and the practice of selling children who could not be fed was widespread. Infant mortality was high because of disease and malnutrition. Those who reached maturity lived in crowded, unsanitary housing and were prone to tuberculosis, fatal parasitic infestations and diseases spread by flies and mosquitoes.

Now, according to the news agency, the average life expectancy in the region is 70 years. Public health is maintained by a cooperative medical service which gives each peasant complete medical care for an annual fee of 50 fen (15p). The prefecture has nearly 1,000 hospitals, clinics and medical schools. In a three-tier medical service, major hospitals are located in counties and cities; clinics staffed by paramedics ("barefoot doctors") serve communes and villages and 35,000 part-time peasant medical orderlies give a back-up service which extends right into the fields.

The "barefoot doctors," China's famous innovation in peasant health care, are trained diagnosticians and some are qualified to perform operations such as appendectomies and caesarian sections. Medical orderlies can take care of minor ailments, innoculations and family planning programmes.

Successive public health campaigns in Yentai prefecture have virtually eradicated flies and mosquitoes, cleaned up the domestic water supplies and rehoused many people.

Similar progress in health standards have been reported from all over China. United Nations' statistics, while sometimes based on guesswork, suggest increasingly long lives for the country's 900m citizens. China is now believed to have one physician for every 1,000 people—a figure surprisingly close to that of Japan, which has one physician for every 800. The infant mortality rate is down to 2 per cent, which compares well with the U.S.'s 1.8 per cent.

…POINTMENTS

…rench Kier group management changes

…CH KIER HOLDINGS has …the following group manage…changes from October 1. …G. S. Kidd takes over …sibility for new business …pment for the group. He …ishes his position as …ing director of Kier Inter…al, but remains a director …company. Mr. W. Fox, at …t joint managing director …ch Kier Construction, gives …t post to become managing …r of Kier International. …R. Hare is now sole manag…ector of French Kier Con…on. They continue as …rs of the parent concern.

★

…GHT AIR CONDITION… has appointed Mr. Colin … as managing director, …Air Conditioning (London) …r. Ken Dalton, managing …r, Wright Air Conditioning …nd). Mr. John Colling has …e managing director of …Air Conditioning (Birming… and Mr. Stuart Hill, sales …r of that company. Mr. …Bryson has been appointed …newly-created post of group …relations executive. In …n, a separate export com… Wright Air Conditioning …ational) has been estab… with Mr. Bob Johnson as …r/general manager.

★

…J. M. Thomas, who was …y appointed a director of …HOWARD AND CO., has …ken up his duties as manag…ector of that company. Sir …Howard continues as chair…f the John Howard Group. …omas, formerly joint deputy …ing director of Taylor …ow International, has also …appointed a director of …i Doris.

★

…W. L. Young has been …ted deputy chairman of …POLYPAC LTD, a member …Weir Group.

★

…Clive Kinder, divisional …r of personnel of Delta …has been appointed by the …ER LONDON COUNCIL to …wly-created post of director …onnel which carries a basic …of £14,676.

★

…S. H. Clough has been …ted industrial relations …r of MATHER AND PLATT. …s been with the company …years.

★

…Secretary for Prices has …ted Mrs. Barbara Creme, …asil Feldman, Mr. Bill … and Mr. Adrian Chalk as …rs of the POST OFFICE …NATIONAL COUNCIL …December 31, 1980. Mrs. … is a JP in Manchester; …ldman is joint managing …r of Dunbee-Combex-Marx; …nkin, deputy general secre… NALGO; and Mr. Chalk …ng director of Spicers.

★

…John Elliott has been …ted a director of Charles …(Foreign Exchange) and … Fulton (Currency De… He also becomes adviser …main Board of CHARLES …N AND COMPANY. Mr. … was formerly managing …r of M. W. Marshall and Company. Mr. J. K. Warren and Mr. C. J. Hartley have joined the Board of Charles Fulton (Foreign Exchange). Mr. G. K. Huggins has been made managing director and Mr. P. G. Briggs and Mr. L. L. Heustice, directors, of Charles Fulton (Currency Deposits).

★

DYNACAST INTERNATIONAL, a subsidiary of the Coats-Patons Group, has made the following appointments: Mr. Simon Kenyon as chairman of the UK division, and Mr. David Greenwood, general manager of Dynacast (UK).

★

Mr. D. B. Campion, Mr. D. J. Ewart, Mr. J. D. Fairclough, Mr. J. M. Lunn, Mr. E. A. Moore, Mr. G. D. Neely, Mr. A. Singer, Mr. P. Stubbs and Mr. V. G. Williams have been appointed to the Board of LINFOOD HOLDINGS.

★

Mr. James Long has left Metra Consulting to join AGB RESEARCH where he has been appointed deputy managing director of Industrial Market Research.

★

Mr. J. A. Lawton, chairman of the Kent County Council, has been appointed a member of DOVER HARBOUR BOARD for three years.

★

COMPUTACAR, the computerised service for car buyers and sellers recently acquired by the Thomson Organisation, has appointed Mr. Guy Consterdine as director and general manager. Mr. Consterdine has already taken up his new position, but will not be operating full-time until the end of this month in view of his existing commitments with Times Newspapers.

★

Mr. Arthur Day, director general of the INSTITUTE OF EXPORT for the last 10 years, has resigned and will leave the Institute at the end of September.

★

AFIA WORLDWIDE INSURANCE has appointed Mr. Thomas Hauff to head its operations in the UK, Ireland and Scandinavia. Mr. Hauff, a vice-president of the international insurance organisation, will transfer to London. He has been a member of AFIA's senior executive staff at its headquarters in Wayne, N.J. Mr. Albert W. Waghorn continues as general manager in London.

★

Mr. Patrick de Pelet, formerly a senior vice-president of the International Energy Bank, has joined the project division of KLEINWORT BENSON LIMITED as an assistant director with particular responsibility for natural resource financing.

★

Mr. C. P. Booth has been appointed managing director of DORMAN SPRAYER COMPANY. Mr. B. N. Manton becomes engineering director, and Mr. G. R. Schiele, sales director, following its acquisition by Ransomes Sims and Jefferies.

★

Mr. Arthur Merrick, company secretary, has been appointed to the main Board of P. LEINER AND SONS, with special responsibility for cost control for the Leiner Group.

★

Dr. Ralph Riley has been appointed secretary to the AGRICULTURAL RESEARCH COUNCIL from October 1, to succeed Sir William Henderson, who is retiring at the end of this month. Since 1971, Dr. Riley has been director of the Plant Breeding Institute, Cambridge, which is grant-aided by the Agricultural Research Council.

★

Mr. B. D. Bickerstaffe has been appointed managing director of SIMON CONTAINER MACHINERY (Simon Engineering). He was previously with Coles Cranes.

★

The Chancellor of the Exchequer and chairman of the National Economic Development Council has appointed Mr. Basil Feldman as chairman of the ECONOMIC DEVELOPMENT COMMITTEE FOR THE CLOTHING INDUSTRY. Mr. Feldman is a managing director of Dunbee-Combex-Marx. He is a member of the GLC Arts Committee and from 1973 to 1977 was a member of the GLC Housing Management Committee. He has recently been appointed to the Post Office Users National Council.

★

Mr. Les Watson has been made managing director of TI TRANSPORT EQUIPMENT. He succeeds Mr. Tony Weddle, who has become managing director of TI Machine Tool.

★

Mr. Geoffrey Parrack, a main Board director of the Thomson Organisation, has been appointed chairman of THOMSON YELLOW PAGES, succeeding Mr. W. C. Golding, who has retired.

★

Mr. Albert Ensel has resigned as a director of WELLCO HOLDINGS because of ill-health.

★

Mr. Charles Bentley has been appointed to the main Board of PRESTCOLD HOLDINGS as manufacturing operations director. The parent concern is SP Industries.

★

The Secretary for Trade has appointed Miss Elizabeth Brunner to be a member of the ENGLISH TOURIST BOARD from October 1, 1978, to September 30, 1981. Mr. Derek Gladwin has been re-appointed a member for a further three years to September 30, 1981.

★

Lucas Industries has appointed two divisional managing directors for the Board of JOSEPH LUCAS, the management board of the company. They are Mr. A. K. Gill, general manager of Lucas CAV, and Mr. J. V. Wilkinson, general manager of Lucas Electrical.

★

Mr. E. J. Gowler has joined GEC MEDICAL EQUIPMENT as general manager X-ray division and Mr. J. Oakley has also joined the company as general sales manager of that division.

★

Mr. Bryce McCrirrick is to be the BBC's new director of engineering to succeed Mr. James Redmond, who is retiring on November 6. The new deputy director of engineering is to be Mr. Peter Rai*ger.

Mr. Leslie Hodgson has joined BATALAS in the newly-created position of technical director.

CONTRACTS

£3m MoD order for Cossor Electronics

COSSOR ELECTRONICS has received a contract worth £3m from the Ministry of Defence for the development and production of new multi-channel ground-to-air VHF/UHF communications equipment meeting the reliability requirements of both civil and military authorities. Installation of the first production models is scheduled to start in 1980. This order follows one awarded in 1974 for the single-channel ground-to-air VHF/UHF system now used by the UK armed services and the Civil Aviation Authority. In its role for the UK services the multi-channel equipment will support the CGR 1020 single-channel equipment, acting as a standby service.

★

LINFORD BUILDING GROUP has been awarded contracts valued at £3.5m. There are seven contracts in all, the biggest single project being the construction of civic offices for Cannock Chase District Council, worth £1.7m. A seven-storey office block, this steel frame/reinforced concrete structure is due for completion in June, 1980. A second contract, valued at £830,000, is for new works and offices for General Galvanisers, an Ash and Lacy company, at Telford, Shropshire.

★

HEAD WRIGHTSON TEESDALE, Stockton on Tees, has been awarded orders by Snamprogetti, Basingstoke, main contractors for the Fluid Catalytic Cracking (FCC) unit under construction at Pembroke refinery for heat exchangers. The contracts, worth more than £1m, cover the supply of over 40 shell and tube heat exchangers for the FCC, vacuum and alkylation units. The 65,000-barrel-per-day unit will be operated by Pembroke Cracking Company, a partnership formed between Texaco and Gulf Oil (Great Britain). It is scheduled for completion by September 1980.

★

FOXBORO-YOXALL, Redhill, Surrey, has won a £1.2m contract for the supply of a computer-orientated process control system at the Mobil Oil company's Coryton, Essex, refinery.

★

SIMON-SOLITEC, Gloucester, has been awarded a £101,000 contract for the supply of a complete bulk handling system to store, convey and feed bleaching earth used in the refining of edible oils by Van den Berghs and Jurgens, Bromborough, Merseyside.

APPOINTMENTS

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LEGAL NOTICES

No. 002697 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of HUGHES & RUDDY (BUILDERS & CONTRACTORS) LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 23rd day of August 1978, presented to the said Court by CHARCON PRODUCTS LIMITED whose registered office is situate at 83, Friar Gate, Derby, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 16th day of October 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

LOVELL, SON & PITFIELD,
3, Verulam Buildings,
Gray's Inn
London WC1R 5LP.
Ref: AM. VP. Tel: 01-242 7883.
Solicitors for the Petitioner

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 13th day of October 1978.

No. 002916 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of FRANSES OF PICCADILLY LIMITED and in the Matter of The Companies Act 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 7th day of September 1978, presented to the said Court by PITT & SCOTT LIMITED of 3 Cathedral Place, London EC4M 7DT, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 23rd day of October 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

BULCRAIG & DAVIS,
6 Henrietta Street,
London WC2E 8QS.
Ref: 65.63. Tel: 01-836 8434.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 20th day of October 1978.

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BIDS AND DEALS

St. Piran has 24.8% of Orme

Saint Piran yesterday bought 500,000 shares in Orme Developments at 58½p per share in an apparent attempt to block the bid by Comben Group.

The City Take-over Panel ruled last Friday that Saint Piran could hold up to 28.2 per cent of Orme without triggering a take-over bid *of its own.* The purchase of 500,000 shares takes Saint Piran's stake up to about 24.8 per cent. Further purchases are expected to follow.

Comben Group is taking the purchases philosophically. A spokesman said yesterday that they illustrated that Saint Piran's aim is to frustrate the Comben offer without making one of its own. Comben itself has bought no shares at all, claiming to be confident that acceptances will come rolling in at the end of this week. The closing date for the cash offer is September 18.

Acceptances have so far amounted to only 3.34 per cent but that was before the second revision of terms and recommendation of the majority of the Board on Friday could have an effect.

In the market, Orme shares rose to 58p yesterday immediately after the listing was restored but then fell back to 55½p at the close, ½p up on the pre-suspension price.

FRASER ANSBACHER STAKE SOLD

The M and G Recovery Fund has bought a 6.6 per cent stake in the troubled merchant banking organisation, Fraser Ansbacher. The 3.7m shares, previously owned by Giltspur Investments group, changed hands at around £407,000.

M and G already held 1.75m shares in Fraser and the new purchase gives the fund a stake of just under 10 per cent.

RACAL PROFIT ON FLIGHT REFUELLING STAKE

Racal Electronics has sold its stake of just under 10 per cent in Flight Refuelling, making a profit believed to be in excess of £1m.

Racal's policy of using some of its cash to buy equity stakes in other companies has received some criticism. But the holding in Flight Refuelling, specialist manufacturers for the aircraft, nuclear and electronic industries, appears to have been a successful investment.

Shares of Flight Refuelling have risen this year from a low of 96p to 192p at the close on Friday, the day the sale was made. At that level the consideration would have been of the order of £1m.

ALLIED TEXTILES/ COMPTON SONS

L. Messel and Co announces that on behalf of Allied Textiles Companies it purchased 300,000 shares of J. Compton Sons and Webb (Holdings) on September 7 at 54½p. Together with its previous holdings of 175,000, ATC now own 475,000 shares. In view of its participation with Compton in a joint marketing company Respangled, ATC is deemed to be an associate of Comptons.

Pearson Longman replies to institutions

The three independent directors of Pearson Longman have sent shareholders a rejoinder to criticisms by four institutions of the terms on which S. Pearson is offering to buy the minority holdings in Pearson Longman.

They defend S. Pearson's record, saying that the earnings per share have risen by 73.2 per cent between 1973 and 1977 whereas those of Pearson Longman have risen by 52.6 per cent. The earnings of S. Pearson have derived to a significant extent from its holding in Pearson Longman, so the interests of Pearson, exclusive of Pearson Longman, "have therefore grown substantially faster than Pearson Longman itself," say the directors.

They attack the conclusion they say has been drawn by the four institutions that Pearson Longman's profits will grow faster than S. Pearson's this year because the half year figures showed this trend. "On present indications, the comparative rates of increase . . . should not be taken as representative for the year as a whole," they contend.

The directors resist the implication that S. Pearson is after the stronger balance sheet of Pearson Longman.

They remind shareholders that the chairman of S. Pearson wrote in his last annual report of investments in the UK and U.S. with a market value of over £80m, "which can over a period be redeployed in our operating companies and for acquisitions."

As for the effect of the Hyde guidelines, the directors say "the indications are that in 1978 these adjustments will affect both companies more or less equally."

The premium offered over Pearson Longman's share price prior to the offer is 34 per cent at Pearson's current market price and shareholders will retain an indirect interest in Pearson Longman into the bargain, they say.

The directors conclude: "It is essential that all shareholders vote in favour in the light of the stated intention of four institutions to vote against the proposals, even though they admit that the proposals make industrial sense."

IMI TO ACQUIRE VALVE COMPANY

IMI has agreed in principle to acquire for cash the specialist valve company, Samuel Birkett, together with its associate company Phelon and Moore (Engineers). The companies, which have a combined turnover approaching £3m are West Yorkshire-based, with factories employing some 190 people in Heckmondwike and Cleckheaton.

Birkett specialises in safety relief valves, which are widely used in the UK and in many countries overseas. The products are particularly well established in the commonwealth, and there are growing sales to the North American continent.

T & N sells 20% holding in Malaysian company

Turner and Newall has sold all its 5.48m shares in the Malaysian-incorporated United Asbestos Cement Berhad, for an undisclosed amount.

The shares, representing 20.5 per cent of the equity of UAC, were sold to the three foreign shareholders of UAC, namely James Hardie Asbestos of Australia, Compagnie Financiers Eternit of Belgium and Amindus Holdings of Switzerland. The three companies purchased 4.42m shares, 785,890 shares and 196,446 shares respectively, lifting their equity in UAC to 37.85 per cent, 6.64 per cent and 1.66 per cent.

In a letter to the Kuala Lumpur Stock Exchange, UAC did not give any reason for the sale, but a spokesman of the company said the sale was the result of the new policy of Turner and Newall to sell off overseas interests in which it did not have a majority control.

UAC, which makes asbestos cement pipes, recently reported a 34 per cent rise in its pre-tax profits to nearly 14m ringgits for the first half of this year. Its shares are being sold on the KLSE at around 3.35 ringgits.

As a result of the changes in equity, Mr. Alfred Austen and Mr. David Hills, directors nominated by Turner and Newall, have resigned from UAC and are replaced by Mr. D. K. MacFarlane and Mr. F. D. Loneragan.

SHARE STAKES

Fairclough Construction Group—Norwich Union Insurance Group now holds 2,313,663 ordinary shares (5.27 per cent).

Wood and Sons (Holdings)—Newman Industries has an interest in 1,000,556 ordinary shares (25 per cent).

A. and J. Mucklow Group—Corra Linn Company now holds 1,393,625 (5.39 per cent) ordinary shares.

London Sumatra Plantations—Harrisons and Crosfield is now interested in 7,026,718 (44.1 per cent) shares.

Alcan Aluminium (UK)—Mr. P. J. Elton, a director, has sold 10,000 shares.

Castlefield (Klang) Rubber—Harrisons and Crosfield is now interested in 1,736,653 shares (57.88 per cent).

British Petroleum — Norwich Union Insurance Group holds 505,000 8 per cent 1st pref. stock (6.98 per cent).

Stock Conversion and Investment Trust—Mr. J. Levy, a director, has sold 25,000 ordinary shares and now holds 3,045,452 (10.16 per cent) shares, 1,933,256 beneficially.

Equity Income Trust—Following purchases totalling 23,500 shares, Cornhill Insurance Company, on September 1 was interested in 420,000 shares (11.2 per cent).

FitzWilton—Mr. V. A. Ferguson, a director, sold 27,500 ordinary shares in December 1977 and a further 66,500 between April 12 and June 7, 1978.

ALBRIGHT SCHEME EFFECTIVE

The Scheme of Arrangement for the acquisition by Tenneco of all the outstanding ordinary and preference stock units of Albright and Wilson was sanctioned by the High Court on September 6 and is now effective.

Cheques in respect of cash entitlements will be despatched to stockholders on September 18.

AUTOPACK

Autopack has formed a new company with Scientific and Educational Aids following the acquisition of a majority interest in SEA's weighing equipment activities.

The new company — SEA (Weighing)—will produce and distribute a range of weighing mechanisms for scientific and industrial applications.

REO STAKIS

In a circular giving details of recent acquisitions and disposals, the Board of Reo Stakis Organisation says it looks forward with confidence to another record profit in the current year.

HME pays 2.75p second interim

Because of accounting complications arising from the consolidation of subsidiaries' accounts for differing financial periods in the group's first year of trading, the accounts of Harrisons Malaysian Estates for the March 31, 1978, year have been delayed, but the group is meeting its commitment to pay a dividend in October.

A second interim of 2.75p net per 10p share is to be paid in lieu of a final payment. A 1.25p first interim has already been paid. The second payment will absorb £4.50m. At halfway profit of the group was £13.81m, and directors expect to make a preliminary profit announcement for the year early next month.

Harrisons and Crosfield is the group's holding company, and during the offer proceedings in May, H and C said it would agree to HME paying a 2.75p final.

MINING NEWS

Pancontinenta[l] delayed again

BY PAUL CHEESERIGHT

MINE CONSTRUCTION at the massive Jabiluka uranium deposit, owned by Pancontinental Mining and Getty Oil, in the Northern Territory of Australia will not now begin until well into the 1979 dry season at the earliest.

This is the effect of a Government decision announced in Darwin last Friday after talks between Mr. Malcolm Fraser, the Prime Minister, and Aboriginal leaders in the Northern Land Council.

The decision involved the withdrawal of permission to build an extension to the Arnhem Highway, thus providing access to the deposit during the wet season.

Market analysis of the decision resulted in the shares of Pancontinental weakening in Sydney yesterday. They dipped further in London, closing at £13 for a day's fall of 75p.

Pancontinental had once hoped to start construction this year, but this optimism has proved increasingly ill-founded in the face of the necessity to gain Government approval for an environmental impact statement, not to speak of a mining agreement with the Northern Land Council.

The company is now preparing to start work at the Jabiluka site next year. The absence of an Arnhem Highway extension means that there will have to be a delay of two months into the dry season waiting for the approaches to the site to dry out. This would suggest a starting date of July or August, assuming the grant of official approvals.

The Government withdrew its approval for the extension in the face of Aboriginal objections. These threatened to hold up the signing of the Northern Land Council agreement with the Government covering the Ranger project of Peko-Wallsend and EZ Industries.

The Northern Land Council meets to discuss the Ranger agreement later this week and there remains a lingering hope at Pancontinental that it might drop its objections to the road extension.

The latest Government decision will cost Pancontinental about A$250,000 in compensation to contractors and in the ... of stores. But the re... the road decision is ... rather than a decisive se... the company.

The Government state... that it looked to "the development" of Jabilu... is believed in the ... industry that once the Land Council has come ... with the Ranger a... development of the Territory uranium indu... be swift and largescale.

HIGHER INC[OME] LIKELY AT SENTRUST

SENTRUST, the invest... controlled by General M... South African minin... house, expects a modes... ment in income during ... cial year to June 1979.

The annual report ... prediction on the prese... for gold, a revival in ... African economy and ... tial for higher divid... coal mining interests.

During the year to ... when net income w... (£3.6m) against R3.37m ... and dividends totalled ... both coal and go... holdings were built up. ... stated that gold and u... vestments made up 37... of the portfolio again... cent a year earlier, ... investments moved up ... cent of the total fro... cent.

Last year Sentrust ... of mining financial ... industrial shares, whic... 12.9 per cent of th... compared with 8.6 per ... end of the 1976-77 fin... The percentage of th... tied up in asbestos ... 9.7 per cent from 15. ... owing to a decline in ... price of the shares.

Sentrust shares in L... terday were 214p.

Hunosa austerity pla[n] to reduce losses

HUNOSA, the Spanish state owned mining concern, has announced an austerity plan designed to reduce losses for this year, which could now reach Pts 13bn (£104.8m.), reports David Gardner from Madrid.

The company had budgeted for a deficit this year of Pts 10.67bn following a shortfall last year of Pts 10.08bn, but had already outstripped this target by the end of July.

At the same time it has applied for a Pts 2.4bn Treasury credit in order to meet the wages bill of its 24,000 strong workforce for October and November. Hunosa, which is wholly owned by INI, the state holding company, has from 1970 had its deficits covered by Treasury grants.

Hunosa's plan, which has so far not won the consent of the unions, consists of app... economies, abolishing ... and launching a produ... aimed at boosting d... from its July level of 7... man to 940 kilos by ... The management hope... expected deficit by ... Pts 1bn.

Treasury grants ... Hunosa's deficits now ... approved by Parliame... unlikely to be impre... latest measures, which ... drain on public f... Pts 15bn to Pts 1... absence of a reorganis... company on a solid ... base.

In addition to p... quarter of all Spain... two-thirds of indust... coal needs, Hunosa ha... in an effort to ... financial position.

OIL AND GAS NEWS

Beaufort Sea fin[d] lifts Dome Petro[leum]

DOME PETROLEUM says there is a "possibility" that it may extend the estimated total depth of its Kopanoar M-13 well in the Beaufort Sea to 16,000 feet from the planned 14,000 feet target.

Just over two weeks ago the company said that it had found hydrocarbons, possibly indicating oil or natural gas, at two wells being drilled in the Beaufort Sea, the Kopanoar M-13 and Ukalerk 2C-30.

It added that "until total depths have been reached and testing has been completed, the company will not be in a position to assess the size or commerciality of these hydrocarbon shows."

Testing of the two wells is expected to commence in about two weeks time. Rumours that the Kopanoar well had encountered 500 feet of pay zone thickness and had reserves of 15bn barrels of oil — almost double Canada's current recoverable conventional proven oil reserves of 8bn barrels —were described as "exaggerated" last Thursday by a spokesman for Dome Petroleum.

Nevertheless, the rumours inspired a rush of speculative *buying of Dome Petroleum shares* which took the latte... high of C$101½ on F...

The excitement w... means confined to D... leum as strong buyin... oil and gas counter... Toronto Oil and Ga... 72.9 to 1740.9, its larg... since July 8, 1977.

* *

Evidence that a ma... may lie in the easte... Ocean, off northwest ... been found by U.... Science Foundation s...

However, because o... of the water in the ... unlikely that the te... extract the hydrocarb... economic justification ... will exist for many y...

Using the U.S. Navy ... the Glomar Challenger ... dation drilled in 1... water, sinking the ... in mud on the bott... striking organic ma... usually signals h... further down.

The drilling, which ... 90 miles off Cape ... Morocco, occurred in ... but it took until n... *scientists to review t...*

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● EATON/NEB

High gearing the stumbling block

BY NICHOLAS COLCHESTER

Mr. John Pigott, managing rector of a small British division Eaton Corporation of the U.S., inks that the City let him down. was offered the chance, with o other managers, to buy the vision from Eaton for £400,000. tween them the three men uld find £30,000. In order to ain a controlling shareholding ey needed to find the remainder iefly in the form of preference ares and loan capital. Mr. Pigott opped around the financial stitutions and failed. In the end was the National Enterprise ard which came up with the oney.

The division in question is tiny Eaton's terms and the Ameri- n company sold it as part of tidying-up operation. In 1978 it ll have sales of £1.25m and will ke profits, before interest and , of about £220,000. This profit ure allows for the royalties and ence fees that the division, led Powerdrive, will now have pay to Eaton. Powerdrive kes electro-magnetic clutch brake actuators and also rkets an Eaton pneumatic uator in the UK. Mr. Pigott been with the company 10 rs and says that Powerdrive's ofits have grown steadily over last five.

He tried to raise finance from major clearing banks and m their merchant banking ns. He tried merchant banks. tried the pension funds ectly. He says that the main blems appeared to be the gear- that was directly implied by desire to acquire a controlling reholding at a price he could rd. He was told, in general, t to raise £400,000 the company uld have to issue about £200,000 share capital of which he and fellow directors would then e to buy more than half. He s Gresham Trust as an excep- . This merchant bank came e to putting together an eptable deal, he says.

onceptual

Mr. Pigott reserves his ngest words for ICFC which says was "completely nega- ." He found it difficult to ablish contact with ICFC and n he had done so he found executives asking for detailed rmation about prospective flow when the whole deal still at the conceptual stage.

he Group general manager of C, Mr. Jon Foulds, says that cannot comment in detail on C's offers to Powerdrive. Yet insists that this sort of ncing is exactly what ICFC is usiness to provide. He main- s that "control is not one of aims" and that "when ICFC tifies good management we usually find an answer to the blem of providing them with controlling shareholding at a e they can afford."

The ICFC has become involved in an increasing number of instances where management have wanted to take over their com- pany. Mr. Foulds cites the recent case of a Leicester company called Delta Mouldings. Here the ICFC put up £300,000 in loan and equity capital and took a 30 per cent stake. The management put up £15,000 for their controlling share- holding. Evidently, gearing was no obstacle here, and Mr Foulds says that ICFC is doing this sort of deal at the rate of about one a month.

City's problem

Mr. Pigott feels that the City's problem is that it is "hidebound by standard rules of business." Most institutions gave him the impression that he "must be joking" when he suggested the contribution that he and his colleagues were prepared to make, despite their experience in a business with a viable product and a solid looking record. He turned a little reluctantly to the National Enterprise Board. He found that its executives were "exceptionally professional and went to work in double quick time."

They came up with £20,000 for the NEB's 40 per cent. stake, £100,000 in 6½ per cent redeemable cumulative participating prefer- ence shares and £150,000 of 10 per cent preference shares. To- gether with the directors' money that made £300,000. With the NEB involved, Barclays Bank was willing to put up the remaining £100,000 in the form of a seven year loan.

With so little information on Powerdrive's balance sheet figures and trading prospects it is impossible to draw conclusions from this tale. Gresham Trust, the bank which came closest to providing City finance for Power- drive, would not discuss the Powerdrive application, but it made the general point that in any case of highly-geared financ- ing the lender must feel confident that the borrower has a good prospect of servicing and repay- ing the debts he is incurring.

But Mr. Pigott leaves the impression that it was the prin- ciple of high gearing, rather than the viability of his own proposal, which was the City's main cause for concern. An American investment banker, Mr. Virgil Sherrill, the president of Bache, asserts that deals of the Power- drive type are "as old as the hills on Wall Street." He explains that it is one of the functions of a U.S. investment bank to be able to place high-return, high-risk preference shares with U.S. pen- sion and insurance funds. If the issuer's figures are "right" gear- ing of 80 per cent in fixed interest capital to 20 per cent share capital is acceptable, he says. A major German bank adds that this level of gearing is also con- sidered acceptable in Frankfurt.

Cavenham falls to £32.6m

THE FULL accounts of Cavenham for the year ended April 1, 1978 show group profits, before tax, down from £38.85m to £32.61m following a reduction from £22.7m to £16.9m at half-time.

Sir James Goldsmith, chairman, points out that the results are not comparable with those of the previous year, the major change being the sale of the former sub- sidiary Generale Alimentaire to the parent Generale Occidentale. Nevertheless, he views the performance of Cavenham as not unsatisfactory, particularly within the context of a hard year for the food industry as a whole.

At the attributable level the profit comes through ahead at £22.65m against £20.83m. This was after a much lower tax charge, reduced minorities, extra- ordinary credits of £1.48m (£2.26m debits) but allowing for prefer- ence dividends up from £0.3m to £4.60m.

Sir James explains that it was to avoid a duplication of with- holding tax on profits earned in France that Cavenham sold its holding in GA to GO. GO paid for it by way of an interest bear- ing loan stock.

Other significant influences on the year's results were the relative strength of sterling which resulted in sales and earnings of the major overseas subsidiaries falling in terms of sterling. And the acquisition of the outstanding minority of Grand Union (paid for by the issue of long-term deben- tures) resulted in a profit reduc- tion at the pre-tax level but an increase in the net attributable balance.

An analysis of the trading profit (£38.4m against £48.6m) by function shows: retailing £22.3m (£29.2m) and manufacturing £16.1m (£19.4m). By location the split is: UK £15.7m (£15.9m); North America £12.4m (£18.3m); Europe £10.1m (£14.2m); other £0.2m (same).

The chairman says that the balance sheet remains very strong. Goodwill has been eliminated and cash resources at the year end stood at £97.08m (£71.61m). Hold- ings of U.S. and UK government securities were reduced from £17.31m to £2.77m, while the over- draft was cut from £13.81m to £6.86m. Loan capital totalled £169.6m (£167.2m), of which £158.88m (£105.63m) is repayable wholly or partly after five years.

The chairman says that the five-year period of consolidation is now almost complete and the group is ready for a renewed period of vigorous growth. The first step in this direction has been the offer by Grand Union, the U.S. offshoot, to acquire Colonial Stores for $133m cash.

At April 1 authorised capital expenditure amounted to £19.85m (£22.2m) of which £9.55m (£7.1m) had been contracted.

The report shows that the share interest of Sir James, his family and associated companies in the capital of GO has grown to 1,210,908 at August 17, 1978, compared with 894,132 at April 1 and 567,167 at April 2, 1977.

The report also reveals that 24 per cent of the share capital of Sanders International, the Luxembourg subsidiary, is pledged against borrowings of GO and GO has guaranteed Cavenham against any loss arising.

Meeting, Cavenham House (Middx), September 29 at 11 am.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Astbury and Madeley, Banro Consolidated Industries, Barton and Sons, British Mohair Spinners, British Syphon Industries, Danish Bacon, S. W. Farmer, Pentos, Reckitt and Colman, Willis Faber.

Finals—John Raggas, Kennedy Smale, Land Investors, Christopher Moran, Staffordshire Potteries, Williamson Tea.

FUTURE DATES

Interims—	
Aberdeen Construction	Sept. 25
Aurora	Sept. 19
Bulgin (A. F.)	Sept. 22
Corinthian Holdings	Sept. 13
Dunlop	Sept. 28
Eagle Star Insurance	Sept. 20
Federated Land and Building	Sept. 19
Fosece Minsep	Sept. 27
McBride (Robert) (Middleton)	Sept. 14
Moorhouse and Brook	Oct. 12
Rio Tinto-Zinc	Sept. 20
Sparrow (G. W.)	Oct. 6
Tavener Rutledge	Sept. 15
United Biscuits	Sept. 15
Finals—	
Armstrong Equipment	Sept. 28
Burns-Anderson	Sept. 20
English Association of American Bond and Share Holders	Oct. 2
Goodman Brothers and Stockman	Sept. 15
Highland Distilleries	Oct. 23
Minerals and Resources Corpn.	Sept. 14
Reabrook Investment Trust	Sept. 21
Scholes (George H.)	Sept. 19

Hard going to stand still at Illingworth Morris

NEITHER AT home nor abroad are current trading conditions easy for Illingworth, Morris and Company and an early significant fall in the cost of finance cannot be relied upon, says Mr. Ivan Hill, the chairman. To maintain or improve profit in 1978-79 will require unmitigating effort and an upturn in international trading, he adds.

"Action continued during the past year resulted in a more acceptable level of profit. Improved liquidity and a more compact management operation. Particular emphasis was placed on strengthening financial control and, where appropriate, in a broadly based organisation serving the whole industry, on improving vertical relationships, Mr. Hill says.

In addition to pruning out some unremunerative operations there was a progressive modification of management structure in the direction of greater specialisation.

Taxable earnings for the year to March 31, 1978 jumped to £4.76m (£2.92m) on external sales of £119.7m (£115.8m) and the net dividend is raised to 1.484p (1.323p), as reported July 19.

At year-end net overdraft and acceptances were down £2.44m (up £5.42m) at £25.88m (£28.32m) compared to shareholders' funds of £33.33m (£30.58m). The group has disposed of a portion of its investments since the end of year, which has further reduced the high gearing.

Improved trading margins to some extent reflected the reorganisation of the company which cost £573,000, and the expenditure of £5m during the past two years on plant and re-equipment.

Despite the many problems associated with the marketing of wool and speciality fibres, the merchanting section maintained its market share at home and overseas. In top-making increas- ing competition from within the EEC and from heavily subsidised exports from primary markets, created extreme pressure on margins. Lower throughput led to reduced combing activity and profitability. The combing section also had to absorb increased costs, the principal one being a 33 per cent rise in trade effluent charges. A ministerial working party on this problem has recom- mended government relief funds.

The group's clothing sector has been emerging from a very diffi- cult situation following closure of its Basingstoke factory but the directors look forward to the activity contributing to group profit as the current year pro- ceeds.

In the woollen branches the exceptional profit from cashmere sales last time is unlikely to be repeated due to price resistance and raw material shortage. Because of cheap imports there was a substantial loss in the cotton sector and it is unlikely that profitability will be restored until world economic conditions improve and the multi-fibre agree- ment makes the required impact, Mr. Hill comments.

Meeting, Shipley, West Yorks, on October 5 at noon.

Francis Shaw unchanged at interim stage

Although sales advanced from £4.51m to £6.12m, profits before tax of Francis Shaw and Co. were virtually unchanged at £133,242 for the first half of 1978, compared with £134,819.

The directors state that, as pre- viously intimated, receipts have been lower in the current year and it is not, therefore, expected that profits for the full year will reach the level of 1977, when a £377,000 pre-tax surplus was recorded.

However, they consider that the dividend for the year will be maintained—last year's single net payment was 2.635p per 20p share.

The half year result was struck after depreciation of £41,424 (£28,486), interest of £88,235 (£112,328) and £24,495 (£13,757) loan stock interest.

The company makes machinery for the rubber, cable and plastic industries.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

MASSEY-FERGUSON

Moving to stem the losses

BY ROBERT GIBBENS IN MONTREAL

STAUNCHING THE wounds inflicted in its sally into the highly competitive world market for construction machinery may cause more problems yet for Massey-Ferguson best known as an international farm equipment maker.

Also the new team at the big Toronto-based holding company, Argus Corporation, which controls Massey, is already making management changes at the Toronto financial headquarters.

Massey has just reported a US$ 90m loss for the third quarter, which includes a US$ 43.5m writedown related to the construction machinery operation centred in Europe. The division has been for sale for several months but the investment firm commissioned to find a buyer has warned that the search may take some considerable time.

Management has been told that "an acceptable sale will not be possible in the short term" and this warning is passed on to shareholders in Massey's third quarter preliminary statement.

To help stem the losses on the construction machinery side, activities are being rationalised in Europe and sales and marketing centralised. Sales of heavy machinery of this class have been halted in North America and several other major markets, clearly because there is little chance of profitable penetration.

These moves will reduce losses on construction machinery to US$ 10m or less in 1979 and a break-even position is forecast for 1980, assuming the sale does not materialise in between.

Construction machinery assets, shown at US$ 300m last January 31, have been reduced to about US$250m and a further reduction is planned to about US$150m indicating further writedowns to come.

As part of the management changes at Massey, Mr. Victor A. Rice, 37, and a native of the UK, takes over as president and chief operating officer, moving up from corporate vice-president for staff operations.

Mr. Albert A. Thornborough (56), who has been president for 12 years through several cyclical swings in Massey's fortunes, and who helped engineer the expansion into the key American market in competition with John Deere, becomes vice-chairman, retaining the title of chief executive.

Argus Corporation, the Toronto holding company founded by financier E. P. Taylor, has itself recently been through a shift in control. A group headed by 33 year old Conrad Black is now firmly in the saddle with Mr. Black himself as president and chairman. He is the son of one of the founders.

Extensive rationalisation moves are being undertaken by Massey-Ferguson following a severe third-quarter loss. These range from management reshuffles at its Toronto headquarters to worldwide cutbacks in labour, inventories and marketing activities.

In the past three months, three Massey vice-presidents have left. Mr Rice joined the company in 1970 as Controller North European Operations. Perkins Engines, one of Massey's best performing subsidiaries. He is a financial man. He moved to Toronto in 1975 as controller at Massey's headquarters.

Massey is also moving to cut inventories from the peak of last February with an objective by the October 31 year-end of $US1.3bn. But average inventories for the year will still be high with heavy borrowing costs. Lay-offs and cutbacks plus streamlining of products are planned in several countries and total employment is to drop from 67,000 at the start of the year to 58,000. Some of these cuts have already been made.

Manufacturing plants worldwide are in for severe rationalisation and the company warns that a substantial writedown is coming in the fourth quarter to cover the cost of these moves. Some product lines are up for sale and negotiations have started in some cases. Included are garden tractor and office furniture subsidiaries in North America, but writedowns in these cases will not be required.

The Brazilian construction machinery plant is being sold and major efforts are being made to regain profitability in both Brazil and Argentina. Before the threatened writedowns the company says operating results should break even in the fourth quarter. But clearly investors have some considerable time to wait before Massey turns the corner perhaps with some help from the cycle in farm machinery business.

Kenneth Gooding, industrial correspondent adds: Perkins Engines, the UK-based multinational manufacturer of diesel engines, is not up for sale, Mr. Michael Hoffman, chairman and managing director, declared today.

He was reacting to a surge of rumours following the weekend announcement by Massey-Ferguson of Canada, Perkins' parent group, of further losses and a major rationalisation programme.

There have been suggestions that a number of companies, including Hawker Siddeley of the UK, were interested in acquiring Perkins.

Making his denial, Mr. Hoffman insisted that Perkins had remained profitable in spite of problems within other parts of the M-F group.

Sales in the current financial year, to October 31, would rise by about 20 per cent in value to more than U.S.$704m (around £370m).

About 40 per cent of the engines Perkins produces goes to M-F and it had therefore suffered along with the parent group from the downturn in demand for agricultural equipment.

In particular, the Peterborough plant, the biggest and the only one offering a full range of engines and components, had been hit. The plant's output this financial year would be about 200,000 engines compared with 220,000 last year and a peak of 289,000 in 1975-76.

The Peterborough workforce had been gradually reduced by natural wastage from 9,600 to 9,400. But recruitment has been started again and the company is looking for 200 more people.

And Mr. Hoffman said that, in spite of M-F's problems, caused by a heavy debt load and recession in a number of its markets, he hoped to maintain investment at Peterborough in real terms. This would involve lifting this year's £10m ($19m) spending to around £12.5m ($23.75m).

He added that Perkins is expecting world wide an 8 per cent increase in unit sales to third parties next financial year while sales to agricultural equipment manufacturers, mostly M-F, should show a 3 per cent rise.

In all Perkins will sell 560,000 engines this financial year from its four wholly-owned plants in the U.S., Brazil and West Germany as well as the UK.

There had not been, nor would there ever be, any "explosion" in demand for diesel engines, declared Mr. Hoffman. But Perkins' strength was in the fact that it supplied engines equally suitable for use in industrial, agricultural and marine equipment as well as in trucks. Some 600 manufacturers buy Perkins' engines for 2,000 different applications.

Bid for Abitibi Paper denied

By Robert Gibbens

MONTREAL, Sept. 11.

POWER CORPORATION of Canada, the major Montreal-based holding company, which controls Consolidated Bathurst, said it neither owned directly nor has any options on any shares of Abitibi Paper, and does not plan any acquisitions.

The statement was made to calm market rumours that Power Corporation with its big pulp and paper subsidiary Consolidated Bathurst, might be seeking control of Abitibi, which is the world's largest newsprint producer. Consolidated recently increased its holdings in Price Company, which is 58 per cent owned by Abitibi, to more than 10 per cent.

Peak quarter for Bache

BY OUR FINANCIAL STAFF

TRADING PROGRESS at Bache Group, parent company of Bache Halsey Stuart Shields, the New York securities house, has been "exceptionally strong" in August and September, Mr. H. Virgil Sherrill, president of Bache worldwide, said in London yesterday.

After showing a nine-month loss, Bache reported record fourth quarter earnings of $5.9m or 79 cents a share—also the highest three-month figure in the company's history — which brought earnings for the full year ended July 31 to $5m or 68 cents a share, against $4.4m or 61 cents a share for the previous year.

Fourth quarter revenues were $106.2m, against $72.7m, making $327.6m for the year, compared with $265.6m previously.

Mr. Sherrill, at a luncheon celebrating Bache's centenary, referred to the firm's growth by way of mergers and said he expected the company to make further acquisitions in line with trends in the industry as a whole.

Mr. J. Leslie, chairman of Bache, said the fourth quarter figures largely reflected the dramatic stock market rally which started in the spring. Market activity, however, had been considerably slower earlier in the fiscal year, as indicated by the total income for the 12 months.

Wheeling Pittsburgh

NEW YORK, Sept. 11.

GOOD PROSPECTS for continuing profits are forecast by Wheeling-Pittsburgh Steel. Mr. Dennis Carney, chairman, said today that "market demand continues strong and prices are firmer."

Price discounting under import pressures has been reduced and the group has its largest order backlog since 1974. "Production rates," Mr. Carney declared, "are close to capacity levels."

In July the group reported a second quarter profit of $8.7m or $2.11 a share, against a corresponding $2.7m or 54 cents a share. First half results, though, showed a loss of $9.4m against $16.1m previously.

AP-DJ

NORTH AMERICAN NEWS

Fairchild Industries indicted on tax charge

By Our Own Correspondent

NEW YORK, Sept. 11.

FAIRCHILD INDUSTRIES and its chairman, Mr. Edward Uhl, have been indicted by a Federal Grand Jury for preparing false tax returns aimed at masking illegal political contributions by the company.

The charges, filed in Baltimore on Friday, concern corporate tax returns for 1971 and 1972. In essence the Government is asserting that in these two years the company overstated its capital asset costs and depreciation charges by including the full cost of corporate automobiles used by Fairchild executives who, it is alleged, were in fact paying the company "substantial portions" of the cost of the cars.

According to the indictment, the money received by the company was lodged in a fund that was used for political contributions. Mr. Uhl was allegedly in control of the fund when he was president of the Maryland-based aircraft manufacturer. About $20,000 is said to have been contributed to the fund at a time when corporate political contributions were illegal. The company cannot, however, be prosecuted on an illegal contributions charge because the time period has expired under the Statute of Limitations.

● Cook Industries, which has been disposing of most of its grain assets following heavy losses last year, has disclosed in its annual report that the company and three of its senior officers are being investigated by the Internal Revenue Service. In addition, Cook says that it is considering taking legal action against Mr. Nelson Bunker Hunt and other members of the Hunt family because of their soyabean futures trading activities last year. Cook reportedly found itself on the opposite side of the market to the Hunt family and suffered enormous losses.

New chief executive for Sun Company in surprise move

BY JOHN WYLES

NEW YORK, Sept. 11.

SUN COMPANY, America's 13th largest oil company, has replaced its chief executive officer, Mr. H. Robert Sharbaugh, in a surprise move which is raising doubts about the future of its diversification programme.

Mr. Sharbaugh, who is staying on as chairman until he leaves the company next year, is being replaced by Mr. Theodore A. Burtis, the company's 56-year-old president and chief operating officer. Both men sought to dampen speculation over the weekend that stockholder unease about diversification policies lay behind the change and Mr. Burtis claimed that he had been charged by the Board "to continue moving the company in the direction it has been following."

Sun's top officers have been riding stormy waters ever since January when the company spent $293m on acquiring a 34 per cent stake in Becton Dickinson, a New Jersey hospital supplies company, in controversial private transactions. The Securities and Exchange Commission subsequently filed suit alleging the purchases constituted an illegal tender offer and the case, combined with a similar suit filed by Becton Dickinson, is expected to be heard in a New York Federal District Court before the end of the year.

Speculation about Sun's future development surfaced in June when two additional directors were elected to the Board who were linked with the company's founders, the Pew family of Philadelphia. More than 28 per cent of the company's stock is controlled by the Glenmede Trust Company as trustee for the Pew family and other interests.

Republic Steel confident

CLEVELAND, Sept. 11.

REPUBLIC Steel Corporation would like steel prices to be somewhat higher than they are to justify installation of costly but more productive steel-making equipment.

Mr. W. J. De Lancey, president, said: "We'd like to install a continuous caster in our Cleveland mill, for example, but we can't do that until we see prices that would support it."

Republic's production and shipments are holding fairly steady. "The second quarter might be the high point for the year but not by much." In the second period Republic's raw steel production was up 7 per cent from a year-earlier to 3.6m tons and shipments rose 2 per cent to 1.9m tons.

"We look for a good third quarter," Mr. De Lancey said. In the depressed 1977 third period, Republic earned $10m or 62 cents a share on sales of $751.3m. In the first half of the current year, Republic's profit jumped 157 per cent from a year earlier to $11.1m or $2.51 and sales climbed 22 per cent to $1.7bn. In all of 1977, Republic earned $11m or $2.54 on sales of $2.9bn.

"We're reassessing our outlook for the rest of the year because of the July import surge but we still look for a better year as a whole than in 1977."

As previously reported, steel imports in July jumped 31 per cent from June to nearly 1.8m tons. "That's shockingly high and it brings the seven-month level of imports to 12.6m tons more than in any January-through-July period in history. It compares with 9.6m tons imported in the first seven months of 1977."

In all of last year 19.3m tons of steel were imported, prompting the Government to develop its trigger-price system which was to hold imports this year to an estimated 12m to 14m tons. "The way things are going, I wouldn't be surprised to see imports this year at about the same level as last year," said Mr. De Lancey.

AP-DJ

Emhart seeks European share listings

By Our Financial Staff

SHARE LISTINGS are to be sought on at least four European stock exchanges by Emhart Corporation, the multinational corporation, whose output ranges from machinery, fasteners and industrial components, hardware, chemical and allied products and store equipment. The news was disclosed today by a team of senior Board members currently in London, headed by the chairman and president Mr. T. Mitchell Ford.

Under consideration are the exchanges in Brussels, Amsterdam, Zurich and Frankfurt, said Mr. R. J. Cisneros the vice-president of finance. Emhart shares are already listed in New York and in the UK, where a substantial portion of Emhart's overseas production facilities are situated.

EUROBONDS

Prices steady in quiet trading

BY FRANCIS GHILES

THE international bond markets were very quiet yesterday: prices were unchanged in very thin trading in the dollar sector, but came off by an eighth in the Deutsche Mark sector as a result of some profit taking. But the underlying trend in this sector remains strong. The DM100m bond for Petrobras is expected to be priced at par later today by lead manager Westdeutsche Landesbank.

The indicated terms of the DM30m private placement for Toyo Rubber being arranged by Commerzbank include a five-year maturity and a coupon of 5½ per cent. There will be an optional redemption in 1981 and this bullet issue is guaranteed by Long Term Credit Bank of Japan. Pricing is expected at at a slight discount.

A $200m Yankee bond for the European Investment Bank was announced yesterday. Lead manager will be Kuhn, Loeb Lehman Brothers, and the issue will have two tranches: $75m in notes due October 1, 1986, and $125m in notes due October 1, 1998. The eight-year bonds are in the form of a bullet, while the 20-year ones have an average life of 15.05 years. They are expected to be offered around September 27.

Yields on outstanding eight and 20-year Yankees for the European Investment Bank are respectively 8.6 per cent and 9.07 per cent.

The bonds have been filed with the Securities and Exchange Commission, and the borrower's AAA rating has been confirmed by Moody's.

HBG sees 13% rise in net profits

By Charles Batchelor

AMSTERDAM, Se[pt. 11.]

HOLLANDSCHE Beto[n] (HBG) expects net profi[ts] to rise by 13 per cent F155m ($35.6m), on sale[s] higher at F12.44bn ($...

The company makes ... cast in its interim rep[ort] ... volume of uncomplete[d] ... in Holland rose in the ... of the year while orde[rs] ... be carried out abroad ... to the rapid progress i[n] ... a number of large ... Total order book at t[he] ... the year will be lower ... F13.4bn in December.

Profits abroad rose ... "difficult situation" i[n] ... led to lower domesti[c] ... than expected at so[me] ... panies. The result of ... holdings was adversely ... by the disappointing ... ance of the Ne... Materiaalnij voor Zee... Prospects for this sect[or] ... near future remain ... able.

The company ex... ordinary share capital ... to increase by betwee[n] ... per cent this year du[e] ... recent stock dividend ... conversion of a numb[er] ... vertible debentures ... its financial position ... very liquid.

Little chan[ge] at SI Pirel[li]

By Our Financial Staff

NET PROFITS virt[ually un]changed at L32.75m ... compared with L31... announced for 1978 ... Internationale Pirelli ... Swiss holding compan[y] ... Dunlop-Pirelli union.

The company, whic[h] ... this year forecast a ... profits, proposes to p[ay un]changed gross div[idend] ... SwFrs15 a share.

It is proposed to ... articles of association ... a new class of non-vot[ing] ... and to authorise thei[r] ... to a nominal value of ... A first tranche of SwFr... be offered to sharehol[ders] ... one-for-one ratio at Sw...

Semperit t[o] stay in red

By Our Financial Staff

WITH sales declining, the Austrian rubber gr[oup] ... is heavily committed t[o] ... pean tyre industry, ... stay in the red during ...

Sales for the first ... of this year declined ... cent at the parent co... were running just over ... lower for the group a... Group turnover was ...

In its interim repor[t] ... pany said there w... chance of an impro[vement] ... the current situation ... prices and sales volu[me] ... 1977, Semperit return[ed] ... Sch.99m ($6m) after ... transfers from reserve[s].

The company is co[ntrolled by] Creditanstalt Bankve[rein] ... leading bank in Austr[ia] ... vious years tyres have ... for something like ha[lf] ... sales.

REINSURANCE CONFERENCE

New warning on solvency levels

BY JOHN MOORE, RECENTLY IN MONTE CARLO

INSURANCE EXPERTS fear that an increasing number of *reinsurance groups, the vital organisations which insure the insurance companies*, do not have the financial strength to withstand a run of large claims on damage caused by natural disasters.

Many reinsurance groups are not making sufficient allowance for a series of large claims in the premiums that they charges nor are their inner reserves adequate to cope with such claims. A fresh warning was made last week by Mr. Gunnar Benktander, a chief actuary of the Swiss Re, a major re-insurance company. He told delegates attending the annual reinsurance conference at Monte Carlo that "it is very difficult to obtain enough premium to cover the risk of natural catastrophes."

He added: "Several of those reinsurance risk carriers which are active today, and at least on the surface seem to be solvent, *will disappear within the next 10 years.*"

The new warning has come at a time when international insurance premium rates in relation to the size of the risks covered are at their lowest levels for years on most classes of insurance business. Favourable underwriting experience—or the absence of a sustained period of large losses—have encouraged reinsurance groups to become more competitive. In many cases they have attempted to develop classes of business in which they have little experience; while at the same time a large number of new and technically unskilled companies have entered the reinsurance market.

The newcomer has competed in a way which many have considered to be detrimental to the industry. Mr. Benktander pointed out last week that the newcomer's desire to create a position in the reinsurance market had led "to underrating and to a destruction of profit margins." The lack of technical expertise—which meant that the new companies were often unable to make a correct assessment of risks—was also "very harmful," he added.

Professor Reimer Schmidt, president of the board of management of Aachener Und Munchener Versicherungs, reminded the delegates at the conference that reinsurance copanies which were financially strong were often responsible for the fierceness of the competition because of their desire to establish monopolies within the market.

Unlike other parts of the world insurance community reinsurance is relatively unsupervised. This has helped the insurance industry for it has allowed reinsurance cover to be arranged quickly ... minimum of bureaucr[acy]. Yet Mr. Benktander w[as say]ing last week that go[vernments] or the insurance ... should intervene to e[nsure] suitable solvency l[evels are] maintained. Reinsur[ance com]panies should be enc[ouraged to] keep premium rates ... levels.

If there are a strin[g of com]pany failures in the r[einsurance] sector it is likely ... industry would ral[ly] ... "Any failure must ... insurance as a whole, ... H. E. Gumbel, a direct[or of] international insuranc[e] group Willis Faber. "... would be allowed to ... would be rescued and ... by others, lest grea[t harm] were done to the ... concept," he told a re[cent meet]ing of the Reinsura[nce] Association.

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 8½pc 1989	97½	98½
AMEV 8pc 1987	95	95½
Australia 8½pc 1992	94½	95
Australian M. & S. 9½pc '92	99	99½
Barclays Bank 8¾pc 1992	96	96½
Bowater 9½pc 1992	99½	99¾
Can. N. Railway 8¾pc 1986	95½	96
Credit National 8½pc 1986	97	99
Denmark 8¾pc 1984	97¾	98½
ECS 9pc 1993	99¾	100¼
ECS 8¾pc 1997	95½	96½
EIB 8¾pc 1992	96	96½
EMI 9½pc 1989	98¾	99½
Ericsson 8¾pc 1989	96¾	97½
Esso 8pc 1986 Nov.	99	99½
Gt. Lakes Paper 8¾pc 1984	98½	99
Hamersley 9¾pc 1992	100¾	101½
Hydro Quebec 9pc 1992	96¾	97¼
ICI 8¾pc 1987	95½	96½
ISE Canada 9¼pc 1986	102¼	102¾
Macmillan Bloedel 9pc 1992	97½	98½
Massey Ferguson 9¼pc '91	97¾	98½
Michelin 9¼pc 1988	99½	100½
Midland Int. Fin. 8¾pc '92	97½	98
National Coal Bd. 8pc 1987	93¼	94½
Natl. Westminster 9pc 1986	100	100½
Natl. Westmnstr. 9pc '86 "B"	101½	102½
Newfoundland 9pc 1989	99½	100
Nordic Inv. Bank 8¾pc 1988	97½	98¼
Norges Kom. Bk. 8¾pc 1992	95½	96½
Norpipe 8¾pc 1989	95½	97
Norsk Hydro 8¾pc 1992	95	95½
Oslo 9pc 1988	99½	100½
Ports Autonomes 9pc 1991	98½	99½
Prov. Quebec 9pc 1995	96¾	97½
Prov. Saskatchwn. 8¾pc '86	97¼	95½
Reed International 9pc 1987	93½	[illegible]
RHM 9pc 1992	94½	95½
Selection Trust 8¾pc 1989	91½	92½
Shell Intl. Fin. 8¾pc 1990	95½	96
Skand. Enskilda 9pc 1991	99	99½
SKF 8pc 1987	91½	92½
Sweden (K'dom) 8¾pc 1987	95½	96
United Biscuits 9pc 1989	97½	98½
Volvo 8pc 1987 March	93½	94½
NOTES		
Australia 7¾pc 1984	93	93½
Bell Canada 7¾pc 1987	94½	95½
Br. Columbia Hyd. 7¾pc '85	93½	94½
Can. Pac. 8¾pc 1984	97½	98½
Dow Chemical 8pc 1986	95½	96½
ECS 7¾pc 1982	95	95½
ECS 8½pc 1989	94	94½
EEC 7¾pc 1982	95½	96
EEC 7¾pc 1984	94½	95
Montreal Urban 8¾pc 1981	99	99½
New Brunswick 8pc 1984	96½	97
New Bruns. Prov. 8¾pc '83	99½	99
New Zealand 8¾pc 1986	95½	96½
Nordic Inv. Bk. 7¾pc 1984	94	94½
Norsk Hydro 7½pc 1982	95½	96½
Norway 7¾pc 1982	94½	95
Ontario Hydro 8pc 1987	93½	94½
Singer 8¾pc 1982	98½	99½
S. of Scot. Elec. 8¾pc 1981	98½	99
Sweden (K'dom) 7¾pc 1982	95½	96
Swedish State Co. 7¾pc '82	95½	96½
Telmex 9½pc 1984	98½	99½
Tenneco 7¾pc 1987 May	91½	93½
Volkswagen 7¾pc 1987	94½	95½

STERLING BONDS	Bid	Offer
Allied Breweries 10½pc 1990	90½	91½
Citicorp 10pc 1993	92	93
Courtaulds 9½pc 1989	89½	90½
ECS 9¾pc 1989	93	94
EIB 9¾pc 1988	97½	98½
EIB 9¾pc 1992	93½	94½
Finance for Ind. 9¾pc 1987	91	92
Finance for Ind. 10pc 1989	94½	95½
Fisons 10½pc 1987	95½	96½
Gestetner 11pc 1988	93½	94½
INA 10pc 1988	91½	92½
Rowntree 10¾pc 1988	92½	93½
Sears 10½pc 1988	92½	93½
Total Oil 9¾pc 1984	90	91
DM BONDS		
Asian Dev. Bank 5¾pc 1988	94½	95½
BNDE 6¾pc 1986	97	98

	Bid	Offer
Canada 4½pc 1983	98	99
Den Norske Ind. Bk. 6pc '90	99½	100½
Deutsche Bank 4½pc 1983	98	99
ECS 5½pc 1990	93	94
EIB 5½pc 1990	93	94
Elf Aquitaine 5¾pc 1988	93	94
Euratom 5½pc 1987	97½	98½
Finland 5½pc 1988	95½	96½
Forsmarks 5¾pc 1990	96½	97½
Mexico 6pc 1985	96	97
Norcem 5½pc 1989	98	99
Norway 4½pc 1983	98½	99½
Norway 4½pc 1983	96½	97½
PK Banken 5½pc 1988	95	96
Prov. Quebec 6pc 1990	97	98
Rautaruukki 5¾pc 1988	94	95
Spain 6pc 1988	96½	97½
Trondheim 5¾pc 1988	95	96
TVO Power Co. 6pc 1988	96½	97½
Venezuela 6pc 1988	95	96
World Bank 5½pc 1990	96½	97½

FLOATING RATE NOTES	Bid	Offer
Bank of Tokyo 1984 8¾pc	99	99½
BFCE 1984 9 7/16pc	99½	99¾
BNP 1983 9 5/16pc	99½	100½
BQE Worms 1985 9pc	98	98½
CCF 1983 8¾pc	98½	99½
Chase Manhattn. '93 9 5/16pc	98	98½
Creditanstalt 1984 8¾pc	99	99½
DG Bank 1987 9pc	99½	100½
GZB 1981 9¼pc	99½	100½
Intl. Westminster 1984 9pc	99½	99¾
Lloyds 1983 8 15/16pc	99½	100½
LTCB 1983 9 1/16pc	99½	99¾
Midland Intl. FS '87 9 9/16pc	99½	99½
Midland Intl. FS '93 9 7/16pc	98½	99½
Nat. Westminstr. '90 9 5/16pc	98½	99½
OKB 1988 9¼pc	99½	100½
SNCF 1985 9 5/16pc	99	99½
Std. and Chtrd. '84 9 5/16pc	99½	99¾

Source: White Weld Securities.

CONVERTIBLES

American Express 4¼pc '87
Babcock & Wilcox 7pc '92
Beatrice Foods 4½pc 1992
Beatrice Foods 4¾pc 1992
Beecham 6½pc 1992
Boots 6½pc 1993
Borden 5pc 1992
Broadway Hale 4½pc 1987
Carnation 4pc 1987
Chevron 5pc 1988
Dart 4¾pc 1987
Eastman Kodak 4½pc 1988
Economic Labs. 4¾pc 1987
Firestone 5pc 1988
Ford 5pc 1988
General Electric 4¼pc 1987
Gillette 4¾pc 1987
Gulf and Western 5pc 1988
Harris 5pc 1992
Honeywell 6pc 1986
ICI 6¾pc 1992
INA 6pc 1997
Inchcape 6¾pc 1992
ITT 4½pc 1987
Jusco 6pc 1992
Komatsu 7½pc 1990
J. Ray McDermott 4¾pc '87
Matsushita 6½pc 1990
Mitsui 7¼pc 1990
J. P. Morgan 4¼pc 1987
Nabisco 5¼pc 1988
Owens Illinois 4½pc 1987
J. C. Penney 4½pc 1987
Revlon 4¾pc 1987
Reynolds Metals 5pc 1988
Sandvik 6½pc 1988
Sperry Rand 4¼pc 1987
Squibb 4¼pc 1987
Texaco 4¾pc 1988
Texas Int Airlines 7½pc '93
Toshiba 6½pc 1992
Ty Co. 5pc 1984
Ty Co. 9¾pc 1985
Union Carbide 4½pc 1982
Warner Lambert 4½pc 1987
Warner Lambert 4½pc 1988
Xerox 5pc 1988

Source: Kidder, Peabody

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

Schering shrugs off first half profits setback

Y ADRIAN DICKS

BONN, Sept. 11.

ERING, the West Berlin-d pharmaceuticals and nicals concern, is expecting factory profits for 1978, ite some deterioration dur-he first six months compared the first half of 1977.

porting this to shareholders y, the Schering Board also that sales during the first six ths had shown a 3 per cent ease on the previous year, to h DM 1.14b ($500m). The impulse for this came from 2 per cent jump in domestic , whereas exports, account-for 60 per cent of total sales, down by 3.8 per cent.

rst half performances among individual product areas varied widely, the Board reported. It described the higher sales of finished drugs as satisfactory, while sales of pharmaceutical chemicals fell, bringing overall turnover down for the pharmaceutical division.

Industrial chemicals sales developed favourably, as did those of Schering's galvanising products and plant protection, where first quarter results were given a boost by the group's takeover of Philips Duphar's interests in Germany.

Although Schering reported raw materials costs down by 3.2 per cent during the quarter, it made clear that rising costs remain a concern. Wage costs were up 5.7 per cent during the first half, despite a slight drop in the workforce to just over 18,100 people.

Meanwhile, there has been no indication of who may be the eventual purchasers of the 12 per cent stake in Schering sold last week by the interests of Herr Hermann Krages to the Deutsche Bank. The package, worth about DM 165m ($80m) at market valuation, has been partially disposed of by the bank to unnamed institutional buyers.

No immediate explanation has been forthcoming as to Herr Krages' motive for the sale, though it has been noted that his group, controlling several chipboard and particle board plants, suffered a bad year in 1977.

Bastogi terms unsettle Bourse

Y OUR OWN CORRESPONDENT

ROME, Sept. 11.

RES OF the Rome-based erty company Beni Stabili sharply on the Milan Bourse y, following the announce-t of unexpectedly favourable s for its merger with its nt company, Finanziaria ogi.

rms announced over the tend provide for Beni Stabili eholders to get nine shares astogi for each Beni Stabili e they own. Speculation in past few weeks had centred n expected exchange ratio of or six Bastogi shares for Beni Stabili share.

ni Stabili shares today rose ver 33 per cent to L4,995, Bastogi shares dropped oly, although finishing above opening low with a nat fall 3 per cent to L830.

e merger of the two com-es is intended to breathe life into Bastogi, Italy's t financial holding company, h has been through a diffi-period recently. Last year ogi had to draw heavily on rves to cover losses on its folio, mainly caused by the luation of its holding in the g chemicals group Montedison, of which it is the largest declared private shareholder.

Sig. Alberto Grandi, the former vice-president of Montedison who was recently elected president of Bastogi, has said he hopes to get Bastogi's finances into better shape this year, and possibly even to resume payment of dividends in 1979, after a five-year interlude.

The incorporation of Beni Stabili, capitalised at L30bn ($35m), will lead to a L66.15bn increase in Bastogi's capital, currently L132.5bn. Once the merger operation has been concluded, Bastogi plans to raise its capital still further, through a rights issue of up to L32bn.

Terms of the rights issue will be decided next month, and there has been speculation that Bastogi will soon announce agreement with on unidentified foreign partner for entry into its capital.

Sig. Grandi has stated in this connection that Bastogi is ready to examine all offers which are made to it, but he has made clear that the company would only be interested in a partner who could provide technical and industrial assistance, as well as financial aid. One possibility could be to link the entry of outside interests to Bastogi's involvement in the salvage of the financially troubled Liquichimica group, in which it is participating alongside Liquichimica's creditor banks.

The lines along which Bastogi's future strategy for its industrial renaissance will move remain vague at present. Sig. Grandi has expressed an interest in maximising Bastogi's capabilities in the construction sector, through Beni Stabili and its public works subsidiary Cogefar, in activities abroad.

The Italian financier Sig. Raffaele Ursini has cleared the way for a group of banks to salvage Liquigas by agreeing to offer his majority holding in Societa Assicuratrice Industriale (SAI) as security for Liquigas debt, agencies report. Sig. Ursini, the largest single shareholder in Liquigas, was granted provisional liberty last week after spending eight weeks in prison on charges of irregularities in obtaining state grants.

lew mutual und set up Bermuda

Mary Campbell

. ROTHSCHILD is today g up a new mutual fund for national investors. Called rve Assets Fund, it will be porated in Bermuda and invested in non-equity ities, mostly of a short- and um-term maturity.

ares in the fund would be able to British investors if the dollar premium is

is intended that the fund be actively managed by the team as currently provide e to investors whose olios Rothschild's manages. e at appropriate moments ficant minorities of the s of the fund may be ted in currencies other than lollar, it is not anticipated the proportion of the fund's s which are dollar minated would ever fall v 50 per cent.

e minimum initial subscrip-to the fund is $5,000. The l authorised capital is $10m. fund will operate an ange scheme whereby tors can exchange existing ngs of Eurobonds and international fixed interest securities for shares in the

hough shares in the fund be registered, bearer sitory receipts will be able. The fund will be d in Luxembourg.

e manager's charges will de a $1\frac{1}{2}$ per cent initial e included in the buying for the shares and a hly charge of 1-24th per cent e net assets.

ofima bond issue

pean railways' roling stock cing company, Eurofima, is tomorrow to issue SwFr worth of $3\frac{3}{4}$ per cent bonds, s John Wicks from Zurich. 15-year bonds wil be offered banking consortium led by n Bank of Switzerland at er cent. Proceeds will go ance the purchase of new g stock for member rail-

MEDIUM TERM CREDITS

$350m for Latin America

BY FRANCIS GHILES

A STRING of Latin American borrowers are currently arranging loans of some $350m. Agua y Energia Electrica of Argentina is raising $120m through a group of banks led by Lloyds Bank International. The borrower is paying a split spread of $\frac{7}{8}$ per cent for the first three years rising to $\frac{1}{2}$ per cent for the remainder. The loan carries a state guarantee.

These terms mark a considerable improvement on those obtained by Agua y Energia Electrica on its last loan, raised this spring which were a spread of $1\frac{1}{4}$ per cent over $8\frac{1}{2}$ years.

The terms of this latest loan are also tighter than those for the last state guaranteed loan, $60m for 11 years for Agua y Energia Electrica on a spread of $\frac{7}{8}$ per cent throughout.

Costa Rica is raising two loans, one amounting to $70m, the other to $110m, on identical terms. These include a spread of $\frac{7}{8}$ per cent for the first four years rising to 1 per cent for the last six and a grace period of four years.

The first loan, which is for the Republic, is earmarked to the tune of $46m for the refinancing of previous loans, while $24m will go towards the development of the National Waterworks Plan. Of the total amount of the second loan which is for the Central Bank, $103.5m is earmarked for the refinancing of previous loans whose major lead managers were Citicorp, Continental Illinois, Marine Midland and Singer and Friedlander.

Compania La Electricidad of Caracas is raising $50m for eight and a half years with two years grace and a spread of 1 per cent for the first four years rising to $1\frac{1}{4}$ per cent from a group of banks led by Morgan Guaranty. Part of these funds are earmarked for the Tacoa generating plant.

Two Algerian borrowers are currently arranging loans: Sonelec, the state electrical company is raising $45m for seven years through a group of banks led by Citicorp International. The borrower who is paying a spread of $1\frac{1}{4}$ per cent has obtained a guarantee from the Banque Exterieure d'Algerie. The Banque Nationale d'Algerie is arranging a $50m seven year credit on a spread of $1\frac{1}{2}$ per cent through a group of banks led by Credit Agricole. The terms of both these loans are in line with those on other recent credits for Algerian borrowers.

Banca Populaire di Milano is raising $20m for six years on a spread of 1 per cent from a small group of banks led by Bank of America.

The Spanish borrower Endesa is arranging a $25m 10-year loan with four years' grace and a spread of $\frac{7}{8}$ per cent throughout through a club deal loan co-led by Banque Louis Dreyfus and Banque Bruxelles Lambert.

The $200m loans for the Hydrocarbons Bank of the Cayman Islands, a wholly owned subsidiary of the Italian state energy company, ENI, will be signed in Tokyo today. Lead manager is Sumitomo Bank.

The spread on this loan, which carries a 12-year maturity will rise every three years from an initial $\frac{7}{8}$ per cent over Libor, to 1 per cent, then $1\frac{1}{8}$ per cent, and ultimately $1\frac{1}{4}$ per cent. The grace period is six years.

A $500m loan for the International Investment Bank was signed recently in Frankfurt. Lead manager is Dresdner Bank, and the borrower is paying a split spread of $\frac{5}{8}$ per cent for the first two and a-half years rising to $\frac{3}{4}$ per cent for the last seven and a-half years, with a five year grace period.

Hidroelectrica de Cataluna is arranging a $40m eight-year loan with a group of banks led by Chase Manhattan Ltd. The loan includes a four-year grace period and a spread of 1 per cent for the first four years rising to $1\frac{1}{8}$ per cent thereafter.

Novo sees higher sales

BY HILARY BARNES

COPENHAGEN, Sept. 11.

NOVO, the Danish pharmaceuticals company, expects 1978 sales to reach DKr 950m ($173m) compared with DKr 864m last year.

In a review of the year so far, the board announced that capital expenditure this year will increase from DKr 74m last year to DKr 170m, of which more than half is for a new enzyme plant in the U.S., an insulin filling plant in Denmark and a fermentation plant in Switzerland. The board said that profits before tax would be in the range DKr 105-DKr 115m this year compared with DKr 103m last year.

Elsewhere, pre-tax profits for Bang and Olufsen, the Danish television and audio equipment company, fell from DKr 35m to DKr 32.5m ($6m) in the year ending May 31, according to the annual report. Turnover increased from DKr 663m to DKr 734m ($133m).

Earnings before secondary and extraordinary items were up from DKr 35.3m to DKr 52m. Dividends will increase from DKr 3.6m to DKr 4.8m, but this is a reduction from 12 per cent to 10 per cent on an increased share capital.

The group expects an increase in sales in the current year of about 9 per cent, but a further reduction in pre-tax profits to about DKr 25m, according to the annual report. Equity capital at the end of last year was DKr 154m, or 31 per cent of assets.

IEL rates McIlwraith 61% above bid price

By James Forth

SYDNEY, Sept. 11.

THE SHARES OF McIlwraith McEacharn, the shipping group, are valued by Industrial Equity (IEL), the take-over specialist, at A$4.85—or 61 per cent more than the A$3 a share cash that IEL is bidding in a partial offer for the company.

The IEL formal offer documents were posted today, along with a booklet containing an evaluation of McIlwraith by the IEL chairman, Mr. Ronald Brierley, and a proposal for the future.

IEL, which already holds about 18 per cent of McIlwraith's capital originally offered A$2.50 a share for 50 per cent of each remaining shareholding, which would give it about 60 per cent of the capital, but raised the bid to A$3 when it was rejected by McIlwraith directors as "wholly unacceptable."

Mr. Brierley concedes that IEL's offer is well below his assessment of the value of McIlwraith shares, but said the reality of the situation is that under existing circumstances there was little possibility of shareholders ever realising this amount. He claimed that if IEL dropped its bid the McIlwraith market price would fall from its present level of around A$2.85.

Mr. Brierley values the net assets of McIlwraith at A$56.8m compared with the book value of June 30, 1977, the latest available accounts, of A$21.25m.

If IEL's bid succeeds, the company intends to make a capital return of at least A$1 a share, or A$11.7m, which should be tax free.

Mr. Brierley also holds out the prospect of a further payment of A$1 a share at an early date.

IEL's concept of the future of McIlwraith is predicated upon the sale of the shipping group's 37.5 per cent interest in Bulkships, probably to the other shareholder, Thomas Nationwide Transport, and the distribution of the proceeds to shareholders, a reconstruction of the capital to eliminate the existing distinctions between ordinary and preference shares, and the continuation and expansion where possible of the company's traditional trading and agency operations.

To effect the capital return, IEL would make a two-for-one scrip issue in the ratio of one ordinary and one "B" ordinary for each ordinary or preference share already held. All the preference and ordinary capital, other than the "B" ordinaries would then be returned as a capital repayment. IEL expects that a future dividend policy of at least 10 cents a share could be established on the A$5.85m remaining issued capital.

Mr. Brierley puts a total valuation of A$101.6m on Bulkships, of which McIlwraith's share is A$38.8m. This compares with the 1977 book value of A$16.8m and shareholders' funds for the same period of A$42.6m. McIlwraith's portfolio in listed stocks is valued at A$ 8.5m at August 31, compared with a 1977 book value of A$2.58m. The company's properties are valued at A$2m, agency operations at A$3m, trading operations at A$6m and unlisted investments at A$4m.

Since April last year, TNT has built up a stake in McIlwraith and now holds more than 15 per cent of the capital. Mr. Brierley said that he believed it was an "inescapable conclusion" that TNT must eventually seek to own all of Bulkships' capital.

McIlwraith is closely associated with the interests of its chairman, Sir Ian Potter, who has previously stated that he does not regard the IEL offer seriously because holders of more than 50 per cent of McIlwraith's capital had stated they would reject the initial offer price. McIlwraith had held off making any recommendation on the higher price until IEL revealed its plans for a capital reconstruction.

Take-over clash

Mr. Brierley is also clashing with Sir Ian in another take-over situation. IEL has made a bid of A$2.65 a share for Tricontinental Corporation, of which Sir Ian is also chairman, and which happens to hold more than 10 per cent of the capital of McIlwraith. Tricontinental is currently the subject of an in-house bid from a company known as Torenia Holdings, designed to introduce a new major bank shareholder. Torenia offered A$2.43 a share, but was forced to match the IEL price and today announced that it was entitled to 52.9 per cent of the capital.

IEL has not yet dropped its bid, although the best it can achieve is to block compulsory acquisition, and remain as a minority holder. IEL today informed McIlwraith that its actual or potential commitments were fully covered by the company's internal resources and credit facilities. The McIlwraith Board had asked where IEL would obtain the A$21.5m needed for its McIlwraith and Tricontinental bids.

Exxon buys 49% stake in Japanese oil group

BY ROBERT WOOD

TOKYO, Sept. 11.

EXXON CORPORATION is to buy 49 per cent of General Sekiyu, the Japanese oil company, announced today. The price has not been set. On the basis of the last closing price, however, General was capitalised in the market at Y31bn ($160m).

General was already affiliated with Exxon through joint ventures in refining and liquefied petroleum gas imports. Exxon supplies 100 per cent of General's crude oil.

General's strength lies in marketing. It holds a 4.5 per cent share of the Japanese market. In the year to March 31 it made an after-tax profit of Y2.37bn ($12.4m) on sales of Y404.29bn ($2.1bn).

In addition to its relationships with Japanese oil companies such as General, Exxon has a wholly-owned marketing arm in Japan, Esso Standard Sekiyu. But Japanese law prohibits foreign companies from owning more than 50 per cent of a Japanese refining company. The new relationship with General will make the Exxon group one of Japan's leading petroleum marketers, with a total market share of about 10 per cent.

General Sekiyu was formed from the fuels division of Mitsui and Co shortly after the war. Mitsui and Co now owns 10.1 per cent of its stock, and other Mitsui group companies are also major shareholders. Exxon's purchase—through its subsidiary, Esso Eastern Corporation—will be accomplished by its taking up of some 34m new shares, so that the relative rankings of General's other owners will not be affected. General currently has a nominal capital of Y1.71bn (in Y50 shares).

General said that it would henceforth be treated in the same way as Exxon's wholly-owned subsidiaries in know-how transfers from other Exxon companies, but would remain an independently managed Japanese company. The company would continue to accept administrative guidance by the Japanese Ministry of International Trade and Industry.

Under the basic agreement, General Sekiyu is to acquire a 50 per cent interest in Nansei Sekiyu K.K. from Esso Eastern. Nansei Sekiyu is a Japanese-U.S. oil refining company in Okinawa, established by Esso Eastern, General Sekiyu and Sumitomo Corporation, with a capital of Y7.62bn. Esso holds 50 per cent of the capital with the remainder shared equally by General Sekiyu and Sumitomo.

General Sekiyu also reached agreement to acquire the entire interest in General Sekiyu Seisei, an oil refining company, and General Gas Company owned by Esso Standard Sekiyu Company, a wholly-owned subsidiary of Esso Eastern Corporation. General Sekiyu Seisei and General Gas are equally owned by General Sekiyu and Esso Standard and are capitalised at Y9bn and Y400m respectively.

Second half loss for Waltons

BY OUR OWN CORRESPONDENT

SYDNEY, Sept. 11.

WALTONS, THE major retail group, incurred a A$1m ($U.S.1.1m) loss in the second half of 1977-78, which resulted in group earnings for the year to June 30 falling by 61.8 per cent, from A$6.6m to A$2.5m (U.S.$2.9m). The ordinary dividend has been held at 7.5 cents a share, including a final payment of 3.75 cents, but is not covered by earnings, which declined from 14.6 cents to 5.6 cents a share.

Along with the dramatic downturn, the directors announced that Waltons recently entered into a "technology agreement" with Sears Roebuck and Co. of the U.S. They did not elaborate, but said that the nature of the agreement would be described more fully in the annual report. The directors said however, that they expected that worthwhile benefits would be derived from the cementing of this long-standing association. In fact, from 1955 to 1959 Waltons combined its operations with the U.S. retailer, which traded under the name of Waltons-Sears. In 1959 the U.S. group sold out to Walton's shareholders and pulled out of Australia.

Waltons reported a 33 per cent decline in earnings for the first half-year, from A$5.63m to A$3.57m. The situation deteriorated in the second half when the result swung from a profit of A$1.29m to the loss of A$1m.

The directors said the unsatisfactory result was largely attributable to the fact that the group's retail sales rose only 1.8 per cent, from A$290m to A$295m (US$340m). This marginal increase reflected not only the closure of marginal stores, but more particularly the continued depressed demand for high-price durable merchandise and an accompanying reduction in the use of instalment credit for retail sales.

The latest result did not include any dividend from the 50 per cent owned financier, Barclays Credit Corporation (formerly FNCB Waltons) which recently announced a A$3.2m profit, compared with A$6m loss in the previous year.

Sharp gain at Containers

BY OUR OWN CORRESPONDENT

SYDNEY, Sept 11.

CONTAINERS, the major can-maker and packager, has raised its dividend from 13 cents a share to 15 cents following a 52.7 per cent increase in group profit for the year to June 30, from A$5.5m. to A$8.4m (U.S.$9.7m).

The result came only one day after its competitor, J. Gasden more than doubled earnings, from A$3.18m to A$8.25m. The Containers' improvement was achieved on a sales increase of only 15.7 per cent, from A$150m to A$173m (US$199m), and the directors attributed it to increased efficiency.

Earnings a share were 40 cents a share, compared with 26 cents in 1976-77, while the profit per sales dollar rose from 3.6 cents to 4.9 cents.

The directors said that the two-piece can line in Melbourne incurred a small operating loss during the year, but that they believed that increased utilisation of all installed capacities would result in an improved profitability. Continuing sales growth in all divisions and an all-round profit growth were indicated by operating budgets for 1978-79, they added.

Murray and Roberts boost earnings

By Richard Rolfe

JOHANNESBURG, Sept. 11.

MURRAY AND ROBERTS, the South African construction group which spent R29m last year on acquisitions outside its basic business, has announced a modets rise in trading profit for the year ended June 30, from R21.5m to R22.8m ($26.2m). After tax, outside shareholders' interests and preference share dividends, the rise in net attributable profits is from R13m to R14.4m.

Earnings per share are up from 64c to 70c, and after a maintained 6c interim, the final dividend has been increased from 17.5c to 19.5c, to make a total of 25.5c. With the shares at 325c, the yield is 7.8 per cent. The earnings figures, however, reflect a change in the basis of accounting which brings on to an equity basis associates in which more than 20 per cent is held, and where Murray and Roberts participates actively in commercial decision making. Previously the threshhold for equity accounting was 50 per cent.

Without this change, net attributable profits would only have been R0.3m ahead at R13.3m. The total contribution from associates rose to R6.5m at the trading profit level over the year. Companies acquired over the year included Elgin Fireclay and a 50 per cent stake in Crown Mills, a supplier to the food industries, as well as some small construction and engineering interests.

Plate Glass suspended pending deal

By Our Own Correspondent

JOHANNESBURG, Sept. 11.

SHARES IN Plate Glass, one of the major suppliers to the automobile and building industries, and its pyramid company, Placor, which holds just over 50 per cent of the shares, were suspended in Johannesburg today at 165c and 60c, respectively.

A statement from Plate Glass indicated that: "Negotiations have reached a mature stage for the disposal of certain undertakings and the acquisition of others.

"If these negotiations reach fruition, the effect on Plate Glass and accordingly on Placor could be of some significance."

World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on September 11, 1978. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange in the UK and most of the countries listed is officially controlled and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (S) member of the sterling area other than Scheduled Territories; (k) Scheduled Territory; (o) official rate; (F) free rate; (T) tourist rate; (n.c.) non-commercial rate; (n.a.) not available; (A) approximate rate no direct quotation available; (sg) selling rate; (bg) buying rate; (nom.) nominal; (exC) exchange certificate rate; (P) based on U.S. dollar parities and going sterling dollar rate; (Bk) bankers' rate; (Bas) basic rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate.

Sharp fluctuations have been seen lately in the foreign exchange market. Rates in the table below are not in all cases closing rates on the dates shown.

Place and Local Unit		Value of £ Sterling
Afghanistan	Afghani	75.00
Albania	Lek	10.1138
Algeria	Dinar	7.7089
Andorra	French Franc	8.51
	Spanish Peseta	144.65
Angola	Kwanza	n.a.
Antigua (S)	E. Caribbean $	5.2510
Argentina	Ar. Peso Free Rate	1,824
Australia (S)	Australian $	1.6870
Austria	Schilling	28.10
Azores	Portug. Escudo	88.75
Bahamas (S)	Ba. Dollar	1.9450
Bangladesh (S)	Taka	28.44(sg)
Bahrain (S)	Dinar	0.747
Balearic Isles	Spa. Peseta	144.65
Barbados (S)	Barbados $††	3.886
Belgium	B. Franc	(cm) 61.10 (fn) 63.15
Belize	B $	3.886
Benin	C.F.A. Franc	425½
Bermuda (S)	Bda $	1.9450
Bhutan	Indian Rupee	15.6789(sg)
Bolivia	Bolivian Peso	38.89
Botswana (S)	Pula	1.60911
Brazil	Cruzeiro ‡‡	36.28
Br. Virgin Is. (S)	U.S. $	1.9450
Brunei (S)	Brunei $	4.35
Bulgaria	Lev	1.7138
Burma	Kyat	13.258
Burundi	Burundi Franc	175.05
Camero'n Rp	C.F.A. Franc	425½
Canada	Canadian $	2.2555
Canary Isles	Spanish Peseta	144.65
Cape Verde I.	Cape V. Escudo	88.75
Cayman Is. (S)	Cay. I. $	1.6192
Cent. Af. Rp.	C.F.A. Franc	425½
Chad	C.F.A. Franc	425½
Chile	C. Peso	(Bk) 63.57
China	Renminbi Yuan	3.0021
Colombia	C. Peso	(F) 75.71
Comoro Is.	C.F.A. Franc	425½
Congo (B'ville)	C.F.A. Franc	425½
Costa Rica	Colon	16.7098
Cuba	Cuban Peso	1.4488
Cyprus (S)	Cyprus £	0.7120
Czechoslovakia	Koruna	(com) 10.80 (n.c.) 20.60 (T) 17.40
Denmark	Danish Krone	10.88¾
Djibouti	Fr.	325.00
Dominica (S)	E. Caribbean $	5.2510
Domin. Rep.	Dominican Peso	1.9450

Place and Local Unit		Value of £ Sterling
Ecuador	Sucre	(O) 48.00 (F) 52.95
Egypt	Egyptian £	(O) 0.7625 (T) 1.346
Ethiopia	Ethiopian Birr	(P) 4.0266
Eq'l Guinea	Peseta	144.65
Falkland Is. (S)	Falkland Is. £	1.0
Faro Is.	Danish Krone	10.88¾
Fiji Is.	Fiji $	1.6119
Finland	Markka	7.9525
France	French Franc	8.51
Fr. C'ty in Af.	C.F.A. Franc	425½
Fr. Guiana	Local Franc	8.51
Fr. Pac. Is.	C.F.P. Franc	154.75
Gabon	C.F.A. Franc	425½
Gambia (S)	Dalasi	4.0065
Germany (East)	Ostmark	3.89
Germany (West)	Deutsch Mark	3.89
Ghana (S)	Cedi	5.25(sg)
Gibraltar (K)	Gibraltar £	1.00
Gilbert Is.	Aust. Dollar	1.6878
Greece	Drachma	72.127
Greenland	Danish Kroner	10.88¾
Grenada (S)	E. Carribean $	5.2510
Guadaloupe	Local Franc	8.51
Guam	US $	1.9450
Guatemala	Quetzal	1.9450
Guinea Rep.	Sily	37.850
Guinea Bissau		67.245
Guyana (S)	Guyanese $	4.9547
Haiti	Gourde	9.715
Honduras Rep.	Lempira	3.87
Hong Kong (S)	H.K. $	9.12
Hungary	Forint	(com) 72.86 (T/nc) 56.55
Iceland (S)	I. Krona	590.46
India (S)	Ind. Rupee	15.6789
Indonesia	Rupiah	808.54
Iran	Rial	135.0
Iraq	Iraq Dinar	0.5688
Irish Rep. (K)	Irish £	1.00
Israel	Israel £	35.4741
Italy	Lira	1,625
Ivory Coast	C.F.A. Franc	425½
Jamaica (S)	Jamaica Dollar	3.1026
Japan	Yen	373½
Jordan (S)	Jordan Dinar	0.575(sg)
Kampuchea	Riel	2,551.0
Kenya (S)	Kenya Shilling	14.7318
Korea (Nth)	Won	1.7216(?)
Korea (Sth)	Won	944.73
Kuwait (Sth)	Kuwait Dinar	0.528
Laos	Kip Pot Pol	777.2
Lebanon	Lebanese £	5.7476
Lesotho	S. African Rand	1.67594
Liberia	Liberian $	1.9450
Libya	Libyan Dinar	0.5752

Place and Local Unit		Value of £ Sterling
Liecht'stn.	Swiss Franc	3.16
Luxembourg	Lux Franc	61.10
Macao	Pataca	9.859
Madeira	Portug'se Escudo	88.75
Malagasy Rp.	MG Franc	425½
Malawi (S)	Kwacha	1.6126
Malaysia (S)	Ringgit	4.455
Maldive Is. (S)	Mal Rupee	7.665
Mali Rp.	Mali Franc	851
Malta (S)	Maltese £	0.7408
Martinique	Local Franc	8.51
Mauritania	Ouguiya	84.445
Mauritius (S)	M. Rupee	11.789
Mexico	Mexican Peso	44.11
Miquelon	C.F.A. Franc	425½
Monaco	French Franc	8.51
Mongolia	Tugrik	(O) 6.7555(!)
Montserrat	E. Carribean $	5.2510
Morocco	Dirham	7.74(sg)
Mozambique	Moz. Escudo	64.9257
Nauru Is.	Aust. Dollar	1.6870
Nepal	Nepalese Rupee	23.315
Netherlands	Guilder	4.21¼
Neth. Ant'les	Antillian Guild.	3.4780
New Hebrides	Franc	157.54
	Austl. Dollar	1.6870
N. Zealand (S)	N.Z. Dollar	1.8429
Nicaragua	Cordoba	15.58
Niger Rp.	C.F.A. Franc	425½
Nigeria (S)	Naira	1.242224(sg)
Norway	Nrwg. Krone	10.27
Oman Sultanate of (S)	Rial Omani	0.685
Pakistan	Pkst. Rupee	19.015(sg)
Panama	Balboa	1.9450
Papua N.G. (S)	Kina	1.3466
Paraguay	Guarani	246.66
P'ple's D. Rp of Yemen (S)	S. Yemen Dinar	(A) 0.6665
Peru	Sol	(exC)(A) 326.29
Philippines	Ph. peso	14.5844
Pitcairn Is. (S)	£ sterling	—
	New Zealand $	1.8429
Poland	Zloty	(Cm) 62.40 (T) 62.40
Portugal	Pgse. Escudo	88.75
Port Timor	Timor Escudo	88.75
Principe Isle	Pgse. Escudo	88.75
Puerto Rico	U.S. $	1.9450
Qatar (S)	Qatar Ryal	7.47
Reunion Ile de la	French Franc	8.51
Rhodesia	Rhodesian $	1.3471

Place and Local Unit		Value of £ Sterling
Romania	Leu	(cm) 8.49 (nc) T22.79
Rwanda	Rwanda Franc	185.84
St. Christopher (S)	E. Caribbean $	5.2510
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	5.2510
St. Pierre	C.F.A. Franc	425½
St. Vincent (S)	E. Caribbean $	5.2051
Salvador El	Colon	4.82
Samoa (Am)	U.S. $	1.9450
San Marino	Italian Lire	1,625
Sao Tome	Pgse. Escudo	88.75
Saudi Arabia	Ryal	6.41
Senegal	C.F.A. Franc	425½
Seychelles	S. Rupee	15.35
Sierra Le'ne (S)	Leone	2.0
Singapore (S)	Singapore $	4.35
Solomon Is (S)	Solomon I. $	1.6870
Somali Rep.	Som Shilling	(A) 12.2512
Sth. Africa (S)	Rand	1.67594
S. W. African Territories (S)	S. A. Rand	1.67594
Spain	Peseta	144.65
Span. Ports in N. Africa	Peseta	144.65
Sri Lanka (S)	S. L. Rupee	30.245(sg)
Sudan Rp.	Sudan £	(A) 0.7772
Surinam	S. Gilder	3.4780
Swaziland (S)	Lilangeni	1.67594
Sweden	S. Krona	8.66½
Switzerland	Swiss Franc	3.16
Syria	Syria £	(A) 7.626
Taiwan	New Taiwan	(P) 69.948
Tanzania (S)	Tan. Shilling	14.75
Thailand	Baht	38.84(sg)
Togo Rp.	C.F.A. Franc	425½
Tonga Is. (S)	Pa'anga	1.6718
Trinidad (S)	Trin. & Tobago	4.6692
Tunisia	Tunisian Dinar	0.783(sg)
Turkey	Turkish Lira	47.57
Turks & C'os	U.S. $	1.9450
Tuvalu	Australian $	1.6870
Uganda (S)	Ug. Shilling	14.40
United States	U.S. Dollar	1.9450
Uruguay	Uruguay Peso	(cm) 12.58 (fn) 12.87
Utd. A'b Emts.	U.A.E. Dirham	7.47
U.S.S.R.	Rouble	1.27
Upper Volta	C.F.A. Franc	425½
Vatican	Italian Lire	1,625
Venezuela	Bolivar	8.38
Vietnam (Nth)	Dong	(O) 4.2357 (T) 4.2641
Vietnam (Sth)	Piastre	n.a.
Virgin Is. U.S.	U.S. Dollar	1.9450
Western Samoa (S)	Samoan Tala	1.1925
Yemen	Ryal	8.70(sg)
Yugoslavia	New Y Dinar	36.4578
Zaire Rp.	Zaire	1.63594
Zambia	Kwacha	1.555

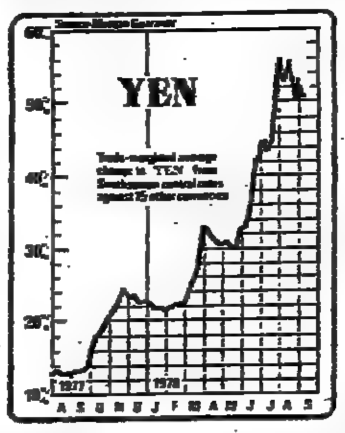
* That part of the French community in Africa formerly part of French West Africa or French Equatorial Africa.
† Rupees per pound.
The Augoya has replaced the CFA franc. The exchange was made at a rate of CFA Fr 5 to one unit of the new currency.
§ General rates of oil and iron exports $1.606.
‖ Based on cross rates against Russian rouble.
** Rate is the Transfer market (controlled).
†† Rate is now based on 2 Barbados $ to the dollar.
‡‡ Now one official rate.

[صلات من الأصل]

Currency, Money and Gold Markets

Dollar falls in late trading

The dollar lost ground in the last half-hour of trading in yesterday's foreign exchange market to finish at its weakest level for the day. Recent speculation over possible further measures to support the dollar pushed the U.S. currency firmer in early trading but there was still a good deal of nervousness in the market and in the absence of any buying interest, the dollar fell away to close at SwFr 1.6250 against the Swiss franc, having opened at its best level of SwFr 1.6450 and compared with Friday's close of SwFr 1.6300. Similarly the West German mark was pushed down to DM 2.0205 soon after the start of trading before closing at DM 2.0005 from DM 2.0015 previously. The Japanese yen was also slightly firmer at Y191.90 compared with Y192.40.



Using Morgan Guaranty figures at noon in New York, the dollar's trade-weighted average depreciation narrowed to 8.4 per cent from 8.6 per cent. This was affected by the poor performance of the Canadian dollar. The latter fell from its Friday level of 86.47½ U.S. cents to close at 86.12½ U.S. cents after touching 86.00. This is its worst level ever against the U.S. dollar and in early trading in New York it fell to 85.98 U.S. cents. The weaker trend was a continuation of the currency's decline in recent weeks mainly attributable to the sorry state of the Canadian economy at the moment.

Sterling traded very quietly for most of the day and after opening at $1.9260-1.9270 fell to a low point of $1.9235. During the latter part of the afternoon there was a fairly good demand it closed at $1.9425-1.9435, a rise of 65 points. The pound's calculation of its The pound's late recovery was also shown against other currencies in the Bank of England's calculation of its trade-weighted index which finished unchanged at 62.5, having eased to 62.4 at noon and in early dealings.

FRANKFURT—The dollar was fixed at DM 2.0185 compared with Friday's fixing of DM 1.9950 and there was no intervention by the Bundesbank. This showed a slightly easier tendency from its morning level of DM 2.0195. At one point it rose to DM 2.0205 on hopes of further measures to be introduced to support the dollar. However, this level was seen as something of an over-reaction and the U.S. currency fell back.

In later trading a steady bout of selling pushed the dollar down to DM 2.0027. However, this still represents the first time the dollar has finished above DM 2.0 since late August. Against 22 currencies the Bundesbank trade weighted mark revaluation index fell to 146.7 from 147.1 on Friday, a rise of 1.6 per cent from the end of 1977.

PARIS—In relatively light trading the dollar finished below its best level against the franc. The U.S. currency was quoted at FFr 4.3825 compared with a high of FFr 4.4125 and FFr 4.37071. There was little in the way of fresh news to affect currency movements and some sources suggested that the dollar's late decline was partly a reaction to overbuying in the morning. Sterling finished at FFr 8.4955 from FFr 8.4880 early on and FFr 8.4710 on Friday.

ZURICH—In busy trading the dollar was below its best level at mid-morning. The U.S. currency opened sharply firmer and was helped by a more optimistic outlook over the U.S. economy. However, some selling developed later on and the dollar was quoted at SwFr 1.6325, down from its earlier level of SwFr 1.6440.

TOKYO—The dollar gained ground against the Japanese yen and closed at Y193.225, compared with Friday's close of Y191.05.

THE POUND SPOT

Sept. 11	Bank rate %	Day's Spread	Close
U.S. $	7¾	1.9235-1.9435	1.9425-1.9435
Canadian $	9	2.2365-2.2565	2.2550-2.2560
Guilder	4½	4.20-4.23	4.20½-4.21½
Belgian F.	6	61.00-61.50	61.05-61.15
Danish K.	8	10.64-10.69½	10.68-10.69½
D-Mark	3	3.87½-3.90	3.88½-3.89½
Port. Esc.	18	88.10-89.00	88.55-88.95
Span. Pes.	8	143.00-144.75	144.60-144.70
Lira	10½	1,617-1,626	1,624½-1,625½
Nrwgn. K.	7	10.19-10.26	10.26½-10.27½
French Fr.	9½	8.47-8.52	8.50½-8.51½
Swedish Kr.	6½	8.62-8.69	8.68-8.69
Yen	3½	368-378	372½-374½
Austria Sch.	4½	28.00-28.15	28.05-28.15
Swiss Fr.	1	3.14-3.17	3.15½-3.16½

Belgian rate is for convertible francs. Financial franc 63.10-63.20.

FORWARD AGAINST £

One month	% p.a.	Three months
0.48-0.38c pm	2.68	1.47-1.37c
0.50-0.40c pm	2.38	1.60-1.50c
2⅞-1⅞ c pm	6.77	7-6 c pm
25-15 c pm	3.93	70-60 c pm
1½-4½ ore dis	—2.53	2½-4½ ore
3½-2½pf pm	8.10	8½-7½ pf
60-160 c dis	—14.87	150-450 c
120-220c dis	—14.10	450-550 c
2 lire pm-par	0.74	1½-3½ lire
2½-½ ore pm	1.75	4½-2½ ore
3½-2½ c pm	3.88	7½-6½ c p
3½-1½ ore pm	3.11	9-7 ore pm
3.20-2.95 y pm	9.89	8.75-8.50
20-10 gro pm	6.41	42-32 gro
3⅝-2⅝ c pm	10.92	9⅛-8⅛ c

Six-month forward dollar 2... 12-month 5.09-4.90c pm.

THE DOLLAR-SPOT

September 11	Day's spread	Close
Canad'n $*	86.00-86.25	86.08-86.03
Guilder	2.1790-2.1900	2.1790-2.1800
Belgian Fr	31.62-31.82	31.62-31.64
Danish Kr	5.5185-5.5345	5.5185-5.5200
D-Mark	2.0100-2.0190	2.0108-2.0118
Port. Es	—	45.80-46.00
Lira	835.75-840.10	839.50-839.90
Nrwgn. Kr	5.2860-5.3050	5.2895-5.2910
French Fr	4.4010-4.4075	4.4010-4.4030
Swedish Kr	4.4780-4.4880	4.4780-4.4795
Yen	192.45-193.25	192.45-192.60
Austria Sch	—	14.5700-14.5800
Swiss Fr	1.6320-1.6440	1.6320-1.6340

* U.S. cents per Canadian $.

FORWARD AGAINST $

One month	% p.a.	Three months
0.01c dis-0.01c pm	Par	0.09-0.06
0.87-0.82c pm	4.36	1.90-1.85
5½-4c pm	1.24	12-10c pm
—		
0.96-0.91pf pm	5.60	2.68-2.63
—		
1.85-2.25lire dis	—3.37	7.00-7.75
—		
0.47-0.37c pm	1.59	0.55-0.45
—		
1.20-1.10y pm	7.45	3.15-3.05
—		
1.23-1.13c pm	8.59	3.35-3.25

CURRENCY RATES

September 11	Special Drawing Rights	European Unit of Account
Sterling	0.653939	0.662612
U.S. dollar	1.26243	1.27951
Canadian dollar	1.46593	1.48619
Austrian schilling	18.3273	18.5706
Belgian franc	39.9433	40.4838
Danish krone	6.96924	7.06249
Deutsche Mark	2.53812	2.57254
Guilder	2.75147	2.78961
French franc	5.55532	5.63169
Lira	1059.05	1073.52
Yen	243.649	246.102
Norwegian krone	6.67952	6.76987
Peseta	94.0435	95.2729
Swedish krona	5.66010	5.73019
Swiss franc	—	2.08261

CURRENCY MOVEMENTS

September 11	Bank of England Index
Sterling	62.53
U.S. dollar	84.88
Canadian dollar	81.29
Austrian schilling	140.00
Belgian franc	118.98
Danish krone	113.93
Deutsche Mark	141.42
Swiss franc	204.11
Guilder	119.95
French franc	99.52
Lira	55.95
Yen	152.59

Based on trade weighted ... Washington agreement De... (Bank of England Index=10...

OTHER MARKETS

Sept. 11	£	$		
Argentina Peso	1,622-1,626	834.79-836.85	Austria	
Australia Dollar	1.6845-1.6895	0.8669-0.8695	Belgium	
Finland Markka	7.9435-7.9615	4.1215-4.1235	Denmark	
Brazil Cruzeiro	35.78-36.78	18.415-18.929	France	
Greece Drachma	71.255-72.999	36.675-37.570	Germany	
Hong Kong Dollar	9.11-9.13	4.7310-4.736	Italy	
Iran Rial	132-138	67.936-71.024	Japan	
Kuwait Dinar (KD)	0.524-0.544	0.2697-0.2748	Netherlands	
Luxembourg Franc	61.05-61.15	31.420-31.472	Norway	
Malaysia Dollar	4.44¾-4.46¼	2.3080-2.3120	Portugal	
New Zealand Dollar	1.8385-1.8455	0.9462-0.9498	Spain	
Saudi Arabia Riyal	6.36-6.46	3.2733-3.3248	Switzerland	
Singapore Dollar	4.34-4.36	2.2575-2.2590	United States	1.
South African Rand	1.6610-1.6869	0.8549-0.8682	Yugoslavia	3.

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Sept. 11	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar
Pound Sterling	1.	1.943	3.890	373.5	8.510	3.160	4.213	1625.	2.256
U.S. Dollar	0.516	1.	2.002	192.2	4.380	1.626	2.168	836.5	1.161
Deutsche Mark	0.257	0.499	1.	96.02	2.188	0.812	1.083	417.7	0.580
Japanese Yen 1,000	2.677	5.202	10.41	1000.	22.78	8.461	11.28	4351.	6.039
French Franc 10	1.175	2.283	4.571	438.9	10.	3.713	4.950	1910.	2.650
Swiss Franc	0.316	0.615	1.231	118.2	2.693	1.	1.333	514.2	0.714
Dutch Guilder	0.237	0.461	0.923	88.65	2.020	0.750	1.	385.8	0.535
Italian Lira 1,000	0.615	1.196	2.394	229.8	5.237	1.945	2.592	1000.	1.388
Canadian Dollar	0.443	0.861	1.725	165.5	3.773	1.401	1.868	720.5	1.
Belgian Franc 100	1.637	3.180	6.367	611.5	13.93	5.172	6.894	2660.	3.691

EURO-CURRENCY INTEREST RATES*

Sept. 11	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $
Short term	11⅝-11⅞	8¼-8½	8¼-9¼	4-4¼	¼-⅜	3⅛-3½	7¼-7½	6-10	
7 day's notice	11½-12	8¼-8½	8¼-9¼	3¼-3½	[illegible]	3⅛-3½	7¼-7½	10-11	8⅜-8½
Month	12-12½	9-9¼	8⅝-9	4-4¼	[illegible]	3⅜-3½	7¾-8	11¼-12¼	9-9¼
Three months	12-12⅛	8¾-9	9-9⅛	5-5¼	⅝-¾	3⅜-3½	8¼-8½	11½-12½	8¾-8⅞
Six months	12⅛-12½	9-9	9¼-9⅝	5-6	1-1⅛	3⅜-3½	9⅛-9⅜	12-13	9⅛-9¼
One year	12⅛-12½	9⅛-9⅜	9-9¼	6-6¼	1⅛-1¼	3⅝-3¾	9⅞-10	13-14	9-9¼

The following nominal rates were quoted for London dollar certificates of deposit: One month 8.55-8.65 per cent; three months 8.70-8.80 per cent; ... 9.05-9.15 per cent; one year 9.15-9.25 per cent.

Long-term Eurodollar deposits: two years 9³⁄₁₆-9⁵⁄₁₆ per cent; three years 9½ per cent; four years 9½-9¾ per cent; five years 9⁵⁄₁₆-9⁷⁄₁₆ per cent nominal c... Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs. Asian rates are closing rates ...

INTERNATIONAL MONEY MARKET

Fed acts on target rate

The Federal Reserve has indicated its desire to see a rise in its target rate for Federal Funds from 8½ per cent to at least 8⅝ per cent in a move that was somewhat unexpected by the market, in the light of the dollar's recent better performance. However, a clear indication was given to the market on Friday when the authorities drained funds out of the market by making matched sales and thus putting upward pressure on rates. Yesterday Federal funds were trading at 8⅞-8⅞ per cent 13-week Treasury bills were quoted at 7.67 per cent up from 7.65 per cent late on Friday, while 26-week bills were firmer at 7.78 per cent against 7.73 per cent. One-year bills also rose to 7.90 per cent compared with 7.85 per cent previously.

Bankers acceptance offered rates rose to 8.20 per cent from 8.10 per cent for 30-days, 8.25 per cent from 8.15 per cent for 60-days, 8.30 per cent from 8.20 per cent for 90-days and 8.40 per cent from 8.30 per cent for 120-days. The rate for 150-days was firmer at 8.45 per cent against 8.35 per cent while 180-days rose to 8.5 per cent from 8.4 per cent.

BRUSSELS—Deposit rates for the Belgian franc (commercial) showed little change at the shorter end while longer term rates tended to firm a little. One-month deposits were quoted at 7½-7¾ per cent against 7¼-7½ per cent previously, while the three-month rate was unchanged at 7½-7¾ per cent. However, six-month deposits rose to 7½-7¾ per cent from 7½-7½ per cent and the 12-month rate stood at 7½-7¾ per cent compared with 7½-7¾ per cent on Friday. Call money fell to 4.40 per cent from 4.50 per cent previously.

FRANKFURT—Interbank money market rates started the week showing very little change with call money 3.5 per cent, one-month at 3.55 per cent, three-month 3.7 per cent and six-month 4.05 per cent.

PARIS—Money market rates showed little movement with call money at 7¼ per cent compared with 7¼ per cent on Friday and one-month unchanged at 7½-7⅝ per cent. Longer-term rates were also unmoved up to one-year at 8⅜-8½ per cent.

AMSTERDAM—Money market rates were quoted at 4½-5 per cent for call money compared with 5-5¼ per cent previously and 5-5¼ per cent unchanged for one-month. Three- and six-month rates were also unchanged at 6-6¼ per cent and 6¼-6½ per cent respectively.

GOLD

Slight rise

Gold rose $1½ an ou... London bullion market to close at $206½-207½ level of the day. Tr... generally inactive and opened at $204½-205½ fixing of $205.70 in th... The afternoon fixing sh... change at $205.65 but a... ment by the dollar to l... pushed the metal up to level.

In Paris the 12½ kil... was fixed at FFr29,37... per ounce) compar... FFr29,350 ($207.35) in ... ing and FFr29,200 ($... Friday afternoon.

In Frankfurt the 12½ was fixed at DM13,34... per ounce) compar... DM13,370 ($208.45) on ...

	Sept. 1...
Gold Bullion (a fine ounce)	
Close	$206½-207
Opening	$204½-205
Morning fixing	$205.70 (£106.625)
Afternoon fixing	$205.65 (£106.378)
Gold Coins domestically	
Krugerrand	$216-218 (£111½-112)
New Sovereigns	$61½-63½ (£31½-32½)
Old Sovereigns	$61½-63½ (£31½-32½)
Gold Coins internationally	
Krugerrand	$213-215 (£109½-110)
New Sovereigns	$57½-59½ (£29½-30½)
Old Sovereigns	$61½-63½ (£29½-32½)
$20 Eagles	$310-315
$10 Eagles	$161-165
$5 Eagles	$101-104

UK MONEY MARKET

Very large assistance

Bank of England Minimum Lending Rate 10 per cent (since June 8, 1978)

Day to day credit was in short supply in the London money market yesterday and the authorities gave assistance by buying a very large amount of Treasury bills and a small number of corporation bills, all direct from the houses. Total help was termed as very large and seemed to have been slightly underdone. The market was faced with banks bringing forward balances over the weekend below target and there was also the repayment of one per cent of special deposits. On the other hand, there was a sizeable net amount of maturing Treasury bills outside official hands, a consequence of the Banks recent mopping up operations and a small fall in the note circulation. There was also a small excess of Government disbursements over revenue transfers to the Exchequer.

Discount houses were paying 8½-9 per cent for secured call loans at the start and closing balances were taken between 8⅞ per cent and 8¾ per cent.

In the interbank market conditions proved to be rather uneventful with period rates showing little change. Overnight loans opened at 8¾-9 per cent and rose on the shortage to 9¼-9¾ per cent. However, rates eased later on to touch 8 per cent by early afternoon. After a brief flurry up to 8¾-9 per cent, rates fell away to 4-6 per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Sept. 11 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	4-9½	—	—	—	9¼	8½-8¾	—	—	—
2 days notice	—	—	8⅞-9	—	—	—	—	—	—	—
7 days or 7 days notice	—	8⅞-9⅛	8⅞-9	—	9¼	9¼	8¾	—	—	—
One month	9⅛-8⅞	9⅛-9⅛	8⅞-9⅛	9½	9⅜	9⅜	8¾-8⅞	8⅞	9⅛	9⅝
Two months	9⅛-9⅛	9⅛-9⅛	—	9⅛-9⅜	9⅜	—	9	8⅞-8⅞	9⅛	9⅝
Three months	9⅛-9⅛	9⅛-9⅛	9⅛-9¼	9⅝	9⅞	9⅛	9⅛	9⅛-8⅞	9⅛	9⅝
Six months	9⅛-9⅛	9⅜-9⅝	9⅜-9⅝	9⅜-9⅝	10¼	—	—	—	9⅛-9⅜	10
Nine months	9⅛-9⅛	9⅝-9⅞	—	9¾-10	10⅜	—	—	—	—	—
One year	9⅛-9⅛	9⅞-10	9⅞-10	10-10⅛	10½	—	—	—	—	—
Two years	—	—	10⅛-10⅛	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rate nominally three years 11½-11¾ per cent; four years 11⅝-12⅛ per cent; five years 12⅛-12⅜ per cent. ⊕ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 9⅛-9⅛ per cent; four-month trade bills 9⅝ per cent.

Approximate selling rates for one-month Treasury bills 8⅞ per cent; and two-month 8¹⁵⁄₁₆ per cent; three-month 8¹⁵⁄₁₆-8⅞ per cent. Approximate selling rate for one-month bank bills 8¹⁵⁄₁₆ per cent; two-month 9⅛-9¹⁄₁₆ per cent; and three-month 9⅛-9⅜ per cent. One-month trade bills 9⅝ per cent; two-month 9⅝ per cent; and also three-month 9⅝ per cent.

Finance House Base Rates (published by the Finance Houses Association) 10 per cent from September 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 6-7 per cent. Clearing Bank Base Rates for lending 10 per cent. Treasury Bills: Average tender rates of discount 8.8271 per cent.

MONEY RATES

NEW YORK
Prime Rate
Fed Funds
Treasury Bills (13-week)
Treasury Bills (26-week)

GERMANY
Discount Rate
Overnight
One month
Three months
Six months

FRANCE
Discount Rate
Overnight
One month
Three months
Six months

JAPAN
Discount Rate
Call (Unconditional)
Bills Discount Rate

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- ☐ Manufacturer of Toilet, Tissue and related paper products. Situated in North Carolina. Sales: $ 6 million.
- ☐ Publisher in Mid-West of juvenile books. Sales: $ 260 million. Net profit: $ 14 million.
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WORLD STOCK MARKETS

Profit-taking curtails fresh Wall St. rise

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CONTINUING TO benefit from the drop in August wholesale prices and fall in the U.S. money supply, Wall Street took Friday's advance a good stage further early yesterday. However, profit-taking later set in to erode most of the day's initial gain.

The Dow Jones Industrial Average, after jumping 14 points on Friday, further strengthened to 917.27, before reacting to close unchanged on the day at 907.74. The NYSE All Common Index finished a net 14 cents higher at $60.38, after reaching $60.60, while gains finally led losses by only 919 to 634. Trading was again heavy with 39.67m shares changing hands compared with last Friday's 42.17m.

Last week, the Labor Department reported that wholesale prices dropped in August for the first time in two years and the Federal Reserve said the basic money supply fell $1.8bn in the latest reporting week.

However, also last week, the Fed moved to tighten credit a notch, a move which surprised many in view of the money supply figures.

The Commerce Department said U.S. retail sales rose 0.8 per cent seasonally adjusted in August after a drop of 0.6 per cent in July. Durable goods and car sales rose, but department store sales declined during the month.

Among Blue Chips, IBM lost 3¾ to $300, while General Motors eased ¾ to $65¾, but American Telephone gained ¾ to $62½.

Petroleum issues and Oilfield Service and Equipment stocks performed well. Atlantic Richfield put on ¾ to $54¾, Mobil ¾ to $71½, Phillips ½ to $34¾ and Pennzoil ¾ to $12¾, Murphy Oil jumped 3¾ more to $55½ and Mesa Petroleum added 1¾ at $37.

Among Oilfield Service issues, Tidewater put on ¾ to $28¾, Reading and Bates $2 to $30¼, Santa Fe Industries, the subject of favourable Press comment, 1¾ to $36¾, and Sedco 1¾ to $45¾.

Holiday Inns, in second place, gained 1¾ to $27¾—the directors are to allow management to explore opportunities for hotel/casino operations wherever legal.

AMERICAN SE prices rose sharply in the heaviest trading for 2½ years, the Amex index climbing 1.17 more to a record 176.30. Stock volume at 8.18m shares, topped Friday's 7.68m and was the heaviest since February 20, 1976, when 8.55m were traded.

Canada

Most sectors gained further ground in another large turnover. The Toronto Composite Index ended 7.8 higher at 1,288.2, while Oils and Gas advanced 10.4 further to 1,751.3 and Metals and Minerals rose 4.7 to 1,105.6, but Golds contrasted with a fall of 18.7 to 1,611.3.

Closing indices in Montreal were again unavailable due to continuing computer problems at the exchange.

Germany

Market continued to make headway, leaving the Commerzbank index 4.6 higher at a new eight-year peak of 889.3.

West Germany's three largest Banks which had been largely left behind during the latest firming trend, experienced lively turnover yesterday and Dresdner Bank advanced DM4.00, Deutsche Bank DM2.70 and Commerzbank DM1.80.

Bayerische Vereinsbank climbed DM6 following Bourse reports that the bank is planning to raise its capital shortly.

In Chemicals, Schering gained DM3 despite announcement of a drop in first-half operating profits, although it still expects a satisfactory balance sheet profit for 1978. The three-mark gain also follows a report last Friday that Hermann D. Krages has sold his stake of around 12 per cent in the basic capital of Schering to Deutsche Bank.

Among Electricals, AEG and Siemens each advanced DM1.50, while in Motors, Daimler rose DM 2.70 but Volkswagen shed 70 pfennigs.

Public Authority Bonds recorded gains extending to 25 pfennigs and losses to 10 pfennigs, with the latest Federal Government Loan's two tranches each trading at 99.95 per cent compared with 99.80 on Friday. The Regulating Authorities sold a nominal DM9.6m of paper against DM3.7m sales last Friday. Mark Foreign Loans were steady.

Paris

Bourse prices continued their upward drive in active trading. The Industrial market indicator rose 1.2 more to 76.1.

A cut in Call Money to 7½ from 7¾ per cent. The stronger dollar and last Friday's Wall Street advance helped encourage trading.

Best performers included: Comptoir-Entrepreneurs, Henin, Schneider, Chargeurs, Carrefour, Casino, Olida, Tales, Borel, Michelin, Printemps, Redoute, Radiotechnique, Ericsson, Signaux, Jeumont, Pechiney, Thomson, Merrieux, Uclaf, Europe-1 and St. Gobain, but Afrique Occidentale lost 8.5 to FFr 426.5.

Tokyo

Stocks were mixed to firmer in a moderate trade, with medium-sized Steel Mills and speculatives having found favour. The Nikkei-Dow Jones Average improved 9.42 to 5,640.24, with volume amounting to 200m shares against Saturday's half-day session total of 160m.

Some Public Works issues were also bought, but Machines, Electric Powers, Cameras and Fats declined, while Blue Chips and Populars moved irregularly in limited trading in the absence of fresh factors.

Chiyoda Chemical Engineering and Construction advanced Y101 to Y1,010 on expectations that the company will profit from its heavy crude oil refining technology and from an expected increase in plant orders from the Middle-East.

Trading in General Sekiyu was suspended by the Tokyo SE following reports that the oil company has agreed with Exxon, of the U.S., on a capital link-up.

Australia

Minings and Oils showed an easier disposition, while Industrials turned mixed after a firm start. The generally subdued performance was blamed on the relative strength of the London and U.S. markets on Friday, which some Australian brokers claimed was diverting potential Overseas investment funds away from Australia.

However, Rundle Oil shale partners Central Pacific and Southern Pacific, firmed against the trend, respectively rising 50 cents to A$6.30 and 20 cents to A$2.50.

Queensland Mines gained 13 cents to A$3.98 and Kathleen Investments 3 cents to A$3.00 on hopes of an early start to uranium ventures, but elsewhere in Uraniums, Pancontinental retreated 30 cents more to A$15.50 on continuing uncertainty over the future of the Jabiluka deposit.

White Industries, among Coals, advanced another 14 cents to A$3.74, still responding to increased profits, but Thiess shed 3 cents to A$3.45.

Hong Kong

Share prices declined on widespread profit-taking in the aftermath of the Financial Secretary's speech last Friday to security analysts. The Hang Seng index retreated 16.34 to 680.91.

Among Blue Chips, Hongkong Land lost 70 cents to HK$13.60; Jardine Matheson 80 cents to HK$19.20 and Hongkong Bank 50 cents to HK$21.40. Hutchison Whampoa were marked down 25 cents to HK$7.05 and Swire Pacific "A" shed 50 cents to HK$10.80.

Elsewhere, Hongkong Telephone fell HK$1.50 to HK$37, Swire Properties 20 cents to HK$4.30 and Jardine Securities 30 cents to HK$8.80.

Against the trend, Hong Kong and Kowloon Wharf recovered HK$1.25 to HK$31.50 after last week's setback on dashed takeover hopes.

Milan

Leading stocks closed mixed after an active session.

Bastogi were down 44.5 at L630 following unexpectedly favourable terms for shareholders of Property concern Beni Stabili in the planned merger with Bastogi. Beni Stabili jumped to L4,995 from L3,715.

Johannesburg

Gold shares were mostly lower after a small business, reflecting a general lack of interest. Selective issues, however, showed gains of up to 30 cents, St. Helena adding 20 cents at R16.00.

Elsewhere, De Beers rose 5 cents to R7.80, but Anamint shed 100 cents to R51.00.

Brussels

Broadly higher after very lively trading.

Among Non-ferrous Metals, Asturienne advanced 30 to BFr 780 and Union Miniere 16 to BFr 800. In Steels, Hainaut-Sambre gained 20 to BFr 860, while Chemicals had UCB up 108 at BFr 1,398. Petrofina put on 65 to BFr 3,965 in Oils.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax. ♥ Pta 500 denom. unless otherwise stated. ♣ DKr 100 denom. unless otherwise stated. ◆ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

Indices

NEW YORK—DOW JONES

	Sept. 11	Sept. 8	Sept. 7	Sept. 6	Sept. 5	Sept. 1	1978 High	1978 Low	Since Comp. High
Industrials	907.74	907.74	895.71	895.79	886.81	879.33	907.74 (8/9)	742.12 (28/2)	1051.70 (11/1/73)
H'me B'nds*	89.43	89.41	89.51	89.19	89.27	89.09	90.86 (4/1)	86.73 (11/7)	—
Transport	260.62	261.49	259.25	256.62	254.67	251.61	261.49 (8/9)	199.31 (9/1)	279.88 (7/2/69)
Utilities	107.75	107.92	107.21	107.41	107.44	107.21	110.98 (3/1)	102.84 (22/2)	163.32 (20/4/69)
Trading vol. 000's	39,670	42,170	40,380	42,700	32,170	35,110	—	—	—

* Basis of index changed from August 24

	Sept. 8	Sept. 1	Aug. 25	Year ago (approx.)
Ind. div. yield %	5.21	5.38	5.26	5.25

STANDARD AND POORS

	Sept. 11	Sept. 8	Sept. 7	Sept. 6	Sept. 5	Sept. 1	1978 High	1978 Low	Since Comp. High
‡ Industrials	118.67	118.48	116.88	116.85	115.62	114.88	118.67 (11/9)	95.52 (6/3)	134.64 (11/1/73)
† Composite	106.98	106.79	105.42	105.38	104.49	103.68	106.98 (11/9)	86.90 (6/3)	125.85 (11/1/73)

	Sept. 6	Aug. 30	Aug. 25	Year ago (approx.)
Ind div. yield %	4.67	4.76	4.69	4.5
Ind. P/E Ratio	10.08	9.89	10.02	9.7
Long Gov. Bond yield	8.37	8.42	8.37	7.5

NEW YORK

† Bid. ‡ Asked. § Traded. ‖ New stock.

CANADA

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

A.B.N. Bank	10 %	■ Hambros Bank	10 %
Allied Irish Banks Ltd.	10 %	■ Hill Samuel	§10 %
American Express Bk.	10 %	C. Hoare & Co.	†10 %
Amro Bank	10 %	Julian S. Hodge	11 %
A P Bank Ltd.	10 %	Hongkong & Shanghai	10 %
Henry Ansbacher	10 %	Industrial Bk. of Scot.	10 %
Banco de Bilbao	10 %	Keyser Ullmann	10 %
Bank of Credit & Cmce.	10 %	Knowsley & Co. Ltd.	12 %
Bank of Cyprus	10 %	Lloyds Bank	10 %
Bank of N.S.W.	10 %	London Mercantile	10 %
Banque Belge Ltd.	10 %	Edward Manson & Co.	11½%
Banque du Rhone	10½%	Midland Bank	10 %
Barclays Bank	10 %	■ Samuel Montagu	10 %
Barnett Christie Ltd.	11 %	■ Morgan Grenfell	10 %
Bremar Holdings Ltd.	11 %	National Westminster	10 %
Brit. Bank of Mid. East	10 %	Norwich General Trust	10 %
■ Brown Shipley	10 %	P. S. Refson & Co.	10 %
Canada Perm't Trust	10 %	Rossminster	10 %
Capitol C & C Fin. Ltd.	10 %	Royal Bk. Canada Trust	10 %
Cayzer Ltd.	10 %	Schlesinger Limited	10 %
Cedar Holdings	10½%	E. S. Schwab	11½%
■ Charterhouse Japhet	10 %	Security Trust Co. Ltd.	11 %
Choulartons	10 %	Shenley Trust	11 %
C. E. Coates	10 %	Standard Chartered	10 %
Consolidated Credits	10 %	Trade Dev. Bank	10 %
Co-operative Bank	*10 %	Trustee Savings Bank	10 %
Corinthian Securities	10 %	Twentieth Century Bk.	11 %
Credit Lyonnais	10 %	United Bank of Kuwait	10 %
The Cyprus Popular Bk	10 %	Whiteaway Laidlaw	10½%
Duncan Lawrie	10 %	Williams & Glyn's	10 %
Eagil Trust	10 %	Yorkshire Bank	10 %
English Transcont.	11 %		
First Nat. Fin. Corp.	11½%		
First Nat. Secs. Ltd.	11 %		
■ Antony Gibbs	10 %		
Greyhound Guaranty	10 %		
Grindlays Bank	‡10 %		
■ Guinness Mahon	10 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 7%, 1-month deposits 7¼%.
† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 7¼%, and over £25,000 8¼%.
‡ Call deposits over £1,000 7%.
§ Demand and deposits 7¼%.

GERMANY ◆

TOKYO ¶

Source Nikko Securities, Tokyo

AUSTRALIA

OSLO

BRAZIL

JOHANNESBURG

MONDAY'S ACTIVE STOCKS

AMSTERDAM

BRUSSELS/LUXEMBOURG

SWITZERLAND ◆

PARIS

COPENHAGEN ♣

STOCKHOLM

MILAN

VIENNA

SPAIN ♥

Record cereals harvest is forecast for UK

BY OUR COMMODITIES EDITOR

A RECORD UK cereals harvest of 17.5m tonnes, outstripping last year's peak of 16.9m tonnes, was predicted yesterday by the Ministry of Agriculture.

The Ministry's forecast is based on the first estimates of cereal yields per hectare this year included in the monthly agricultural report for August, covering England and Wales.

Combined with the June census estimate of plantings, the yield figures give a total wheat, barley and oats production this year of about 14.8m tonnes in England and Wales.

If yields are comparable in Scotland the total UK harvest will equal 17.5m tonnes, the Ministry calculates.

A big rise in plantings of wheat—up 18 per cent—plus an improved yield per hectare of 5.94 tonnes is expected to raise output in England and Wales by about 1m tonnes to 6.1m tonnes.

Barley output should be slightly down at just over 8m tonnes as a result of reduced plantings, but a big rise in oats yields should offset a cutback in plantings.

At the same time preliminary estimates of potato yields in the Ministry report suggest that there is likely to be a bumper crop this year, despite an 8 per cent cut in plantings.

Main crop potato yields are estimated as 33.3 tonnes per hectare, against 29.5 tonnes last year, so boosting production in England and Wales to more than 4.9m tonnes, against 4.6m tonnes last year.

Early potato yields are also sharply higher and altogether it is calculated that this year's total UK potato crop, including Scotland, will rise to 6.4m tonnes compared with between 6.1m and 6.2m tonnes last year.

Coffee rallies after loss of cargo

A LARGE cargo of Brazilian coffee was lost when the Norwegian vessel Bandeirante sank after being in collision last Friday with the Greek bulk carrier Maroudio, according to an official for the Bandeirante's technical operator, Fred Olsen, Reuter reports from Stockholm.

The spokesman refused to confirm London reports that the vessel was carrying 36,000 bags of coffee on board, but later sources from Norlines, Brazilian agents for the ship, said that the Bandeirante was carrying 33,470 60-kilo bags of Brazilian coffee among its cargo.

News of the loss brought a recovery in coffee values on the London futures market yesterday. The November position rallied to close £15 up at £1,452.5 a tonne, after falling to £1,396 earlier in the day.

There was the reverse situation in the London cocoa and sugar terminal markets where values rose in the morning but lost ground in the afternoon.

On the cocoa futures market, the December position climbed to a peak of £2,052 a tonne at one stage before falling back by the close to £2,015 a tonne, only £5 up on the day.

The market moved the permissible limit up of £40 in early trading, reflecting the rise in the New York market on Friday. However, as speculators took their profits after the recent steep upward rise in prices, the market was pushed down again to close only marginally higher.

The London daily sugar price was raised by £3 to £105 a tonne in the morning. This mirrored the steady tone in the futures market where the December position rose to £106.95 a tonne in early trading but, by close, fell back to £106.825.

As with cocoa, the downturn was attributed to profit-taking sales after the recent sharp rise.

Meanwhile, the International Sugar Organisation's executive committee will meet on September 18 to decide whether to call a full session of the Sugar Council on September 29, a spokesman said.

The council session would consider whether the introduction of the contribution fee for the agreement stock financing fund should be postponed again beyond October 1, he added.

On June 30, the council postponed the start of these payments for three months as the U.S. had not ratified the sugar agreement.

Sudden rise in plain tea prices

By Our Commodities Staff

AN UNEXPECTED surge of buying interest at the London tea auctions yesterday brought a sudden rise in plain- and medium-quality teas yesterday.

Plain tea prices rose on average by about 6p to 79p a kilo and medium by 5p to 118p. In contrast quality teas fetched only 1p more at 133p on average.

The rise came despite the news on Friday that India had cut its export duty on tea from Rs 5 to Rs 2 a kilo. It was pointed out that at present there was little Indian tea offered for sale prior to the start of the new season.

Shipments of new season Indian tea are afloat and some is understood to have already reached Britain, but it will be a few weeks until big supplies reach the London auctions.

Our New Delhi correspondent writes: India has reduced its export duty on tea from Rs 5 to Rs 2 per kilo. At the same time, the Government has cut the permitted maximum quota for tea exports in the current year from 225m to 200m kilos.

A reduction in the export duty imposed in April last year during the tea "boom" and been expected by the trade, since Indian tea has become uncompetitive in world markets at this year's lower price levels.

The extent of the cut, though, was greater than anticipated. The *Commerce Ministry said that* it would be reviewed again in December.

Poles hope for better grain crop

By Our Own Correspondent

WARSAW, Sept. 11.

THE POLISH authorities expect this year's harvest to be better than last year's, Mr. Piotr Jaroszewicz, the Polish Premier, told the traditional harvest festival meeting in Olsztyn yesterday.

The grain harvest last year was 19.4m tonnes but widespread rain this summer means that it is unlikely that the planned target of 22.1m tonnes will be reached.

Western diplomatic sources estimate that grain production this year will be 21.3m tonnes.

Mr. Jaroszewicz said that 2.75m acres remained to be harvested. This is 14 per cent. of the 20.5m acres sown this year.

Poland imported about 9m tonnes of grain from July 1977 to June 1978.

According to initial estimates the Polish import requirement from the U.S. in the new season will be 3m to 4m tonnes of grain, around 750,000 tonnes of meal and cake and over 100,000 tonnes of soyabeans.

Tin climbs to record level

BY JOHN EDWARDS, COMMODITIES EDITOR

TIN PRICES rose to record levels on the London Metal Exchange yesterday when the three months quotation traded over £7,000 a tonne for the first time ever. It closed £65 up at £7,002.5 a tonne.

The standard grade cash price also rose, by £90 to £7,125 a tonne, but this is still below its peak reached at the end of last year.

The continued upsurge in tin was encouraged by a sharp rise in the Penang market over the weekend, where the Straits tin price gained SM25 to SM1,865 a picul as a result of supplies being rationed and delivery dates lengthening.

There was also an unexpectedly large decline in Metal Exchange warehouse stocks of tin, which fell by 525 tonnes to only 2,170 tonnes.

Warehouse stocks of lead also fell more than expected with a decline of 1,900 tonnes cutting total holdings to 45,025 tonnes.

This fall, coupled with good trade and speculative buying interest, helped push cash lead up by £7 to £346.5 a tonne. The upward trend was encouraged by predictions of another rise in the U.S. domestic lead price and a general optimistic outlook for lead demand.

Both lead and copper were unsettled by reports of continued strife in Peru, where miners have threatened to resume their recent strike following the sacking of 54 miners by the Government.

Union leaders said a resumption of stoppages was inevitable since the Government had broken *pledges of no reprisals against* organisers of the strike.

Reports from Chile suggest that miners there, too, are becoming impatient at the Government's refusal to discuss their claim for a 50 per cent wage increase.

Copper in stocks in LME warehouses fell again by 6,625 tonnes, reducing total holdings to 435,025 tonnes. The stocks decline was slightly less than expected.

Copper cash wirebars closed £4.5 higher at £739.5 a tonne, while the three months quotation gained £7 to £755.25.

Zinc stocks rose by 25 to 72,600 tonnes, while CME silver holdings fell by 610,000 to 17,940,000 ounces.

● Sir Mark Turner, chairman of Rio Tinto Zinc, will be the main speaker at the American Metal Market's annual forum, to be held in London on October 30—the day before the Metal Exchange dinner.

Other speakers include Bernard de Villemejane, president of Imetal; Dr. Yoshiteru Suzuki, chairman of Dowa Mining; and Julius Katz, U.S. Assistant Secretary of State for Economic and *Business Affairs. There will be* a special discussion on the new LME aluminium contract.

'Cancer' confirmed in more cattle herds

BY OUR COMMODITIES STAFF

THE PRESENCE of enzootic bovine leukosis—a form of blood cancer until recently unknown in this country—has now been confirmed in 37 cattle herds.

About 247 animals are under suspicion and Ministry officials admitted yesterday that the disease had been confirmed for the first time in a breed other than Canadian Holstein.

A Brown Swiss cow, imported from Canada to a Lincolnshire farm and found to be suffering from the disease in a recent test, has been destroyed. The owner was paid the animal's full market value from Government funds.

Infection in other breeds—from other sources—is also suspected.

Ministry officials, however, refused to comment. They are anxious to avoid "scare" stories and prefer to reserve their position until the full extent of the disease's spread into Britain is known.

Ministry vets have been examining all the breeding animals imported into Britain in recent years. Until they report to the Minister and a proper policy is worked out, farmers with diseased animals are being given the option of isolating them or slaughtering them in return for full compensation.

Although full details are not yet available, it appears that most farmers are opting for slaughter and compensation.

The presence of the disease, which is endemic in North America and parts of Europe, was first suspected in June.

The Ministry stresses that diseased stock offer no threat to human health.

IRISH LIVESTOCK

Buoyant year for exports

BY OUR COMMODITIES STAFF

THE IRISH meat and livestock export industry has had another buoyant season, according to the CBF, Ireland's Livestock and Meat Board.

Sales abroad of beef, live cattle, calves and mutton and lamb have all increased.

And while the tonnage of beef in intervention stores in the Republic is second only to Germany in the Community, it has begun to shrink.

So far this year Irish abbatoirs have sold 42,000 tonnes of beef to the Community's official support buying agency. But sales out of intervention totalling 49,000 tonnes have kept the total in store at a relatively modest 62,000 tonnes.

The sheep industry has had a particularly happy year. Levy-free access for Irish lamb to the high-priced French market has provided a major incentive for sheep production, says the Board.

In the eight months since Ireland and France signed an agreement freeing Ireland's lamb exports from the highly restrictive licensing and levy regime which is still frustrating trade from Britain, 600,000 sheep have been slaughtered at export abbatoirs in Ireland compared with less than 290,000 in the corresponding part of 1977, and 420,000 in 1976.

More than 95 per cent of this throughput went to France.

This boom has inevitably pushed up sheep prices in Ireland, although the CBF reports, the benefits have not yet filtered through to all sectors of the sheep industry.

In August the average factory price for first grade, lean, French-style lambs in Ireland was 92p a pound (202p a kilo) compared with 50p a pound (110p a kilo) a year earlier.

Since French lamb prices hit a seasonal low in August, and since, as the CBF points out "careful marketing" has ensured that the big export rise has not undermined the French market price, Irish traders can look forward to further price increases for the rest of this year.

High prices and the drain of lamb supplies overseas "will probably result in a considerably lower domestic consumption" the board says.

The surge in Franco-Irish *trade has caused a 14 per cent* drop in Britain's lamb exports to France. However, these losses appeared to have been made up in the Belgian and German markets.

Increased demand for lamb in Ireland has also led to a rise in imports from the north. CBF estimates that this year live sheep imports from Northern Ireland could reach 250,000 head compared with 221,000 last year.

Ireland has also won new markets for live calves in Italy. Exports to date this year total 86,000 head. This is double the number shipped in the same period of 1977 and the highest since the trade started in earnest four years ago after Ireland joined the European Community.

Cattle slaughterings at Irish *meat export premises are running* some 7 per cent above last year's levels. However, most of the increase may be put down to a rapid rise in killings early in the year.

Since April the number of animals processed has fallen below comparable 1977 levels.

Live cattle exports have also risen sharply but have been subject to fairly large seasonal variations. Trade in the first six months of the year was about 15 per cent higher than 1977. In recent weeks shipments of live animals have averaged 9,000 head a week compared with about 6,000 head during the comparable part of last year.

For the near future CBF says the fortunes of Ireland's beef industry will depend largely on what happens in the main export markets. Because of currency fluctuations producers cannot hope for any price boost through a devaluation of the "green pound." But prospects certainly appear promising in the UK—still Ireland's biggest customer for beef.

Beef production in the UK is expected to fall 7 per cent in the last three months of the year. Elsewhere in the EEC, however, there are prospects of a rise in production.

In West Germany, the Community's biggest beef producer, output is forecast to go up 6 per cent during the six months started in July with an especially sharp rise in the next few months.

A similar autumn surge is forecast for France and Holland.

France aids pig farmers

THE FRENCH Government has taken unilateral action to *help relieve the pressure on its pig industry.*

Credit Agricole has been given permission to release *Frs. 150m of cheap credit for* pork farmers and to help pig producers pay off their debts *the Government has promised* to pay out subsidies worth a further Frs. 50m.

The Government has also undertaken to press the Common Market Commission in Brussels for an increase in the *EEC's minimum import price* for pigmeat.

French farmers have been complaining since last autumn that their prices were being depressed by imports from outside the EEC and also other Community countries.

Mr. John Silkin, UK Minister of Agriculture, said he would be watching "with extreme interest" the attitude to be adopted by the EEC Commission to France's national aids.

Britain's national subsidy for pig farmers was removed in 1977 on the orders from Brussels and under threat of legal action.

Moves to sell more bacon and lamb

DANISH Agricultural Producers will launch a £200,000 renewed campaign to promote sales of bacon in Britain next month.

At the same time, the Scotch Quality Beef and Lamb Association will be bidding to sell more lamb in West Germany, while the Danes will again be promoting Danish dairy produce in Scotland to the tune of £170,000.

The Danish bacon promotion will be run on all TV channels except Ulster for five weeks. It will be supported by recipe advertisements in women's magazines and on posters.

The Danish bacon promotion sales in the UK have risen 9 per cent in the first seven months of this year. Rasher purchases are up 10.1 per cent and joints 6.1 per cent.

The dairy produce promotion will concentrate on Lurpak and Danelea butter and Danish Blue and cheddar cheeses.

On October 4 Movenpick, the West German restaurant chain which sells 25,000 meals a day, will start its drive to sell more Scottish lamb.

Each restaurant in the Movenpick chain will feature Scotch lamb as the main meat dish on the menu for at least three weeks. The promotion will be launched in Stuttgart.

The Scotch Quality Beef and Lamb Association is also busy promoting lamb sales at home in Scotland, where per capita consumption of the meat is still less than half that in households elsewhere in Britain.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Gained ground in quiet trading on the London Metal Exchange. After opening higher at £754, reflecting firmness of Comex on Friday, forward metal eased back to £752 owing to profit-taking and a slightly lower than expected [illegible] to close at £756 on the late kerb. Turnover 34,375 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £739.5, 39, 38.5, 37, 8, 38, three months £754, 54.5, 55, 54, 53.5, 53. Kerb: Wirebars, three months £753, 54, 53.5. Afternoon: Wirebars, cash £741, three months £757, [illegible]

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	737.5-8	+4.5	739-40	+4.25
3 months	752.5-3	+6.5	755-.5	+7
Settl'm'nt	738	+4.5	—	......
Cathodes				
Cash	727-8	+4.75	729-30	+3.5
3 months	743-.5	+7	746-.5	+5.75
Settl'm'nt	729	+5.5	—	......
U.S. Smt.	624	......	65-66	......

TIN—Record levels were attained by forward standard metal following the strength of the Penang market which prompted merchant and bear covering and chartist buying. Also helping sentiment was the larger than forecast fall in warehouse stocks which widened the backwardation. Forward standard metal opened at £6,960 and moved up to a record £7,016 in the morning rings before easing back in the afternoon, owing to profit-taking and the weakness of the dollar, to close on the late kerb at £6,995, after £6,990. Turnover 1,900 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7140-60	+115	7120-30	+98
3 months	7010-20	+55	7020-30	+65
Settlem't	7160	+120	—	......
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEAD—Firmer. [illegible]

ZINC—[illegible]

SILVER

Silver was fixed [illegible] for spot delivery in the London bullion market [illegible]

COCOA

Values moved up sharply in early trading until [illegible] in the session [illegible]

COFFEE

Continuing long liquidation caused Robusta values to ease again in the morning, but trade scale-down buying steadied values in late morning dealings, Drexel Burnham reported. A persistently steady New York "C" Contract [illegible]

EEC DAILY IMPORT LEVIES and premiums effective today in order current levy plus Oct., Nov. and Dec. premiums (with previous in brackets), all in units of account per tonne. [illegible]

GRAINS

WOOL FUTURES

SUGAR

cents per pound fob and stowed Caribbean port—Prices for Sept. 8: Daily 7.99 (8.00); 15-day average 7.42 (7.36).

SOYABEAN MEAL

Market opened in line with Chicago, with good buying in London due to lower [illegible]

RUBBER

MEAT/VEGETABLES

PRICE CHANGES

Prices per tonne unless otherwise stated.

INDICES

FINANCIAL TIMES

REUTERS

DOW JONES

MOODY'S

U.S. Markets

NEW YORK, Sept. 11.

Cocoa—Sept. 171.65 (171.15), Dec. 169.30 (168.90), March 165.85, May 162.75, July 159.90, Sept. 157.45, Dec. 154.10. Sales: 950 lots.

[illegible]

Tin—630-667 nom. (620-625 nom.).

**Wheat—Sept. 334-335½ (337½), Dec. 332½-332¾ (334), March 330½-330, May 326½-326¾, July 314½, Sept. 317½ nom.

WINNIPEG, Sept. 11. ††Rye—Oct. 90.30 (90.50 bid), Nov. 91.20 nom. (91.20 bid), Dec. 89.80 asked, May 93.60 bid, July 95.60.

††Oats—Oct. 72.20 (70.70 bid), Dec. 71.10 bid (70.40 bid), March 71.50 bid, May 71.50 bid, July 71.60 bid.

‡‡Barley—Oct. 69.90 (68.60), Dec. 72.00 asked (70.90 asked), March 72.60 asked, May 73.10 asked, July 72.50 bid.

§§Flaxseed—Oct. 253.60 (248.50 bid), Nov. 253.50 bid (248.00 bid), Dec. 252.60 asked, May 256.50, July 255.00.

¶¶Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 172.12 (171.74).

All cents per pound ex-warehouse unless otherwise stated. * $s per troy ounce—100-ounce lots. † Chicago loose $s per 100 lbs—Dept. of Ag. prices previous day. Prime steam fob NY bulk tank cars. ‡ Cents per 56-lb bushel ex-warehouse, 5,000-bushel lots. § $s per troy ounce for 50-oz units of 99.9 per cent purity delivered NY. ¶ Cents per troy ounce ex-warehouse. ‖ New "B" contract in $s a short ton for bulk lots of 100 short tons delivered fob cars Chicago, Toledo, St. Louis and Alton. ** Cents per 59-lb bushel in store. †† Cents per 24-lb bushel. ‡‡ Cents per 48-lb bushel ex-warehouse. §§ Cents per 56-lb bushel ex-warehouse. 1,000-bushel lots. ¶¶ SC per tonne.

Gold options for Winnipeg

WINNIPEG, Sept. 11.

THE WINNIPEG Commodity Exchange approved trading in options on its 100 ounce gold futures contract reports Reuter. The gold futures option market will open for trading in early October.

Initially, it will offer trading in "call" (buy) options. Although only call options will be traded initially "put" (sell) options are *also being studied*, the Exchange said.

COMPANY NOTICES

BANQUE EXTERIEURE D'ALGERIE

$US 25,000,000 9% 1977/1982

Pursuant to the terms and conditions of the Notes, notice is hereby given to Noteholders that, during the twelve-month period ending August 15, 1978, $US 1,000,000 of such Notes were purchased in satisfaction of the Purchase Fund.

Outstanding amount: $US 24,000,000

Luxembourg, September 12, 1978

Principal Paying Agent
KREDIETBANK
S.A. Luxembourgeoise

READY MIXED CONCRETE LIMITED
7¾% Bonds 1987 FF 80,000,000

Notice is hereby given to bondholders of the above loan that the amount redeemable on October 25, 1978, i.e. FF 2,400,000, was bought in the market.

Amount outstanding: FF 64.000.000.

Trustee: The Law Debenture Corporation Limited.

Principal Paying Agent: Kredietbank S.A. Luxembourgeoise.

CITY OF VALPARAISO
5½% WATERBOARD LOAN 1912

NOTICE IS HEREBY GIVEN that in carrying out the operation of the Sinking Fund of 1st October, 1978, in respect of the above Loan, the under-mentioned Bonds amounting to £1,000.00 were this day drawn by lot by EDWIN BRUCE WALKER (of Messrs. De Pinna, Scorers & John Venn), Notary Public, for repayment at par on the 1st October, 1978, on which date all interest thereon will cease:—

10 Bonds for £100 each

651	678	695	2217	2305
2327	2335	2345	2357	2360

RECAPITULATION

10 Bonds for £100 each: £1,000.00.

The above-mentioned Bonds with Coupon No. 134 and subsequent coupons attached may be lodged for repayment on or after 2nd October, 1978, at the offices of J. Henry Schroder Wagg & Co. Limited, Coupon Department, 120, Cheapside, London, E.C.2, between the hours of ten and two o'clock.

London.
12th September, 1978.

AMERICAN EXPRESS COMPANY (CDRs)

The undersigned announces that the Second Quarter Report 1978 per June 30th, 1978 of American Express Company will be available in Amsterdam at:

Amsterdam-Rotterdam Bank N.V.
Algemene Bank Nederland N.V.
Bank Mees & Hope N.V.
Pierson, Heldring & Pierson N.V.
Kas-Associatie N.V.

AMSTERDAM DEPOSITARY COMPANY N.V.

Amsterdam.
September 4th, 1978

PUBLIC NOTICES

SUFFOLK COUNTY COUNCIL

£2,000,000 Bills issue date 12.9.78, maturing 12.12.78 at 8¹¹⁄₃₂%. Applications totalled £23,000,000 and there are £2,000,000 Bills outstanding.

BURNLEY BOROUGH COUNCIL

£375,000 Bills issue date 13.9.78, maturing 13.12.78 at 8¹¹⁄₃₂%. Applications totalled £2,250,000 and there are £375,000 Bills outstanding.

STOCK EXCHANGE REPORT

Equities again in optimistic mood and index hits new peak for year—Bowater interim results on target

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Aug. 21	Aug. 31	Sep. 1	Sep. 12
Sep. 4	Sep. 14	Sep. 15	Sep. 26
Sep. 18	Sep. 28	Sep. 29	Oct. 10

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Encouraged by the weekend Press comment about the short term political and economic outlook in the light of Mr. Callaghan's surprise decision to avoid an autumn general election, equity markets were again in optimistic mood yesterday with the FT 30-share index advancing afresh to close 7.3 up at 524.3, its highest since October 21.

Although demand was less sizeable and more selective compared with last Friday, some useful investment support was again forthcoming. Early enthusiasm for the leaders was rekindled by interim results in line with expectations and the accompanying reassuring statement from Bowater; final quotations were thus around the day's best. The continued high level of consumer spending was also a helpful factor in the latter part of the trading session.

Gains were fairly numerous and often substantial in second-line equities. Weekend Press tips met with a ready response, while there was a noticeable increase in speculative activity. The widespread nature of the day's improvement was mirrored in the 6-1 majority of rises over falls in FT-quoted Industrials and the further advance in the FT-Actuaries All-Share index which rose 0.9 per cent to 328.18.

British Funds again provided a quietly dull contrast. Unsettled at the outset by speculation about fresh moves to tighten credit in the U.S., sentiment was disturbed further by the rise in the provisional estimate of the Central Government Borrowing requirement for the five months to August, 1978. Little selling occured, but short-dated stocks extended initial losses of 1/16 to 1/8 in the absence of support, while the latter maturities drifted off to close ½ lower.

Reflecting the need to obtain investment currency for the purchase of U.S. securities, institutional buyers made demands which forced the premium up to 96½ per cent when sellers became rather scarce in the later dealings before a softening to 95¾ per cent for a rise of 3½ points on the day. Yesterday's S.E. conversion factor was 0.6872 (0.7025).

For the second consecutive session, over 1,000 contracts were completed in the Traded Option market. Yesterday's total of 1,126 compared with Friday's figure of 1,083 and the July 18 record of 1,249. ICI and Marks and Spencer were particularly active recording 249 and 220 contracts respectively.

Corinthian higher

Apart from **Barclays** which softened a penny to 357p, the major clearing banks edged higher in thin trading. **Midland** put on 3 to 367p and **NatWest** hardened 2 to 280p, while **Lloyds** improved marginally to 275p. Merchant Banks were notable for a Press-inspired rise of 4 to 32p in **Corinthian**. Elsewhere, **Antony Gibbs** added 3 at 58p and **G. R. Dawes** the turn at 18p.

Closing rises in Insurances ranged to 6 with **Hambro Life** that much dearer at 378p. In front of their respective interim and preliminary statements today, **Willis Faber** improved 3 to 283p and **Christopher Moran** hardened a penny to 68p.

Distillery shares were less prominent and **A. Bell** improved only a penny to 283p despite interest fuelled by Press comment ahead of Thursday's preliminary figures. Minor rises were also recorded by **Distillers**, at 209p, and **Irish**, at 169p.

Buildings met with renewed investment demand, but buyers were more selective. Secondary issues recorded many of the notable improvements and, following weekend Press comment, **G. H. Downing** added 10 more to a high for the year of 160p. Recently neglected **London Brick** found support at 77p, up 3, and Timber issues were also sought; **Parker**, 107p, **Phoenix**, 145p, and **May and Hassell**, 76p, all held gains of 3. In Contracting and Constructions, **Bryant** put on 4 to 55p on revived bid rumours. Buyers favoured **Marchwiel**, which firmed 6 to 166p, but **Robert M. Douglas**, at 102p, were unmoved by the annual results. Following the recommended acceptance by the majority of the Board of the revised terms of 57p cash from Comben, **Orme Developments** returned at 58p before settling at 55½p, compared with the suspension price of 55p.

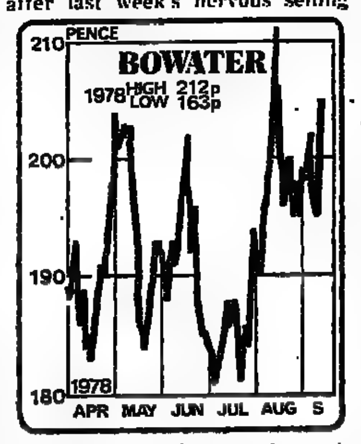
ICI continued higher to 416p before drifting back to close a net 3 up at 413p.

Stores good again

With the August retail sales figures confirming the continued boom in consumer spending, leading Stores responded to fresh support and closed at, or near, the day's best. The addition of weekend Press comment helped **House of Fraser** put on 4 to 174p and **Combined English** rise 3 to 125p. **UDS** also put on 3 at 104p, while publicity given to a broker's circular left **Marks and Spencer** up a penny further at 91p. Elsewhere, bid hopes continued to push **Liberty** higher and the Ordinary and N/V both improved 10 to 215p and 205p respectively. The chairman's renewed optimism at the annual meeting encouraged an advance of 5 to 87p in **Henderson Kenton**. In Shoes, **Ward White** rose 6 to 109p, after 112p, on newspaper mention.

GEC stood out in Electricals, rising 6 to a 1978 peak of 322p. Small buying in a restricted market lifted **Wholesale Fittings** another 13 to 240p, while **Kode International**, 145p, and **Electrocomponents**, 600p, put on 7 apiece. **Cray Electronics** continued firmly, hardening 2 to 31p for a two-day gain of 5 on the results. Press comment was reflected in a rise of 2 to 140p in **BICC**. Other firm spots included **M.K. Electric**, 4 up at 231p, and **Muirhead**, 5 higher at 205p. **BSR**, however, contrasted with a fall of 4 to 102p, being unsettled by the first-half profits setback.

GKN, 4 better at 272p, regained some composure in Engineerings after last week's nervous selling



associated with the group's pending interim results, due on Friday. Other leaders moved higher and fresh investment support left **John Brown** 8 higher at 486p and **Vickers** 5 to the good at 211p. Elsewhere, speculative buying fuelled by bid hopes took **Hampson Industries** up 1¼ to 15½p, after 16½p, while **Westland** gained 2¼ to 43p in response to Press comment. **M.L. Holdings** rose 10 afresh to 205p on hopes that the group might soon be awarded a defence contract from the U.S. **Birmingham Mint** found support at 108p, up 8.

Among Foods, **J. Sainsbury** hardened 3 to 235p for a two-day improvement of 15. Also around 3 higher were **Glass Glover**, 25p, and **Lockwoods**, 116p, while investment demand raised **Associated Dairies** 5 to 255p. **Danish Bacon A** edged forward 2 to 116p in front of today's interim report, but **Unigate**, 71p, and **Fitch Lovell**, 65p, were only fractionally better despite Press comment. **Goldrei Foucard**, at 85p, surrendered Friday's bid-inspired rise of 5.

Hotels and Caterers closed with a sprinkling of modest gains. **Savoy Hotel A** hardened 2 to 80p, while similar improvements were seen in **Trust Houses Forte**, 231p, and **Grand Metropolitan**, 117p.

Several miscellaneous Industrial leaders reached peak levels for the year yesterday. Nervous recently in front of the interim figures, **Bowater** were 197p in front of the statement but improved on the chairman's reassuring remarks about second-half prospects to close 10 better on balance at 205p. Similar improvements were seen in **Beecham**, 740p, and **Glaxo**, 637p, while **Rank** added 4 to 292p. Elsewhere, buying ahead of tomorrow's interim results helped **Thomas Tilling** advance 5 to 143p, while **ICL** rose 8 to 392p in reply to Press comment. Renewed support lifted **Vinten** 10 to 166p and **AGB Research** 6 more to 156p, after 160p. Speculative demand helped **Sale Tilney** add 10 at 307p, while an investment recommendation gave a fillip to **Donald Macpherson**, which advanced 5 to 81½p. **Hunting Associated** put on 10 more to 348p in a thin market and **Booker McConnell** improved 4 to 288p; the latter's half-year results are due on Thursday. By way of contrast, **Wilson Walton** fell 9 to 32p, after 30p, following adverse Press comment.

Mirroring Press comment, **Horizon Midlands** firmed 4 to 115p and in response to satisfactory annual profits, **Highgate Optical** added 2 at 34p.

Motors and Distributors made another good showing and ended with widespread gains after a fair trade. **Group Lotus** reflected Press comment with an improvement of 4 to 52p, while buying in anticipation on next Monday's interim figures raised **Rolls-Royce** 4 to 106p. Following Friday's rise of 12, **Dowty** moved further ahead and closed 7 better at a 1978 peak of 304p on confirmation that the company had won a £70m contract to supply coal-mining equipment to China. **Hartwells** advanced 6 to 118p, while **Heron Motor**, 135p, and **T. C. Harrison**, 121p, put on 3 apiece. **Dutton-Forshaw** edged forward 2½ to 54p in front of Thursday's interim results, but a sell recommendation lowered **Flight Refuelling** 14 to 178p.

In Paper/Printings, **Sir Joseph Causton** firmed 2½ to 22½p on small persistent buying, while **British Printing** were quoted ex the right issue at 53½p with the new nil paid shares at 8½p premium, after 7½p premium.

Selected Properties registered modest improvements in a generally small turnover. Of the leaders, **Land Securities** and **MEPC** held gains of 3 apiece at 244p and 145p respectively. **Peachey** firmed a penny to 84p on Press reports that it would soon conclude its sale of the Park West complex. Elsewhere, speculative buying was directed towards **Marler Estates**, 5½ to the good at 35p, and **Winston Estates**, 5 up at 44p. **Centrovincial** issues found support, the Ordinary and A both adding 5 to 81p and 80p respectively, while of the smaller-prices issues, **Chown Securities** hardened a penny to 16½p and **Dares Estates** 1½ to 18p.

Oils firm

Shell and **British Petroleum** both firmed 8 to 590p and 898p respectively, the latter aided by a broker's bullish circular, while ahead of tomorrow's interim results, **Burmah** improved 2 more to a 1978 peak of 88p. **Tricentrol** touched 187p before settling at 184p, a net 4 up, following profits at the higher end of market estimates. **Siebens U.K.** became an active market on news of Chevron's Shetland oil find and rose 30 to 394p, after 400p, while late demand lifted **Oil Exploration** 12 to 214p. Investment premium influences were responsible for the gain of a point to £47½ in **Royal Dutch**.

Sime Darby, 5 better at a 1978 peak of 131p, provided the only noteworthy movement in Overseas Traders.

Investment Trusts settled with a lengthy list of modest rises although business was disappointing. **P. Hill** rose 3 to 194p with the help of newspaper comment, while **Continental and Industrial**, 211p, and **Edinburgh Investment Deferred**, 242p, put on 4 apiece. **Rothschild Investment** were raised a like amount to 215p and investment demand lifted **Alliance Trust** 5 to 236p.

Golds edge up

The late strength of the bullion price, which was finally $1.75 higher at $207.125 per ounce, coupled with the firmness of the investment currency premium saw South African Golds move ahead in the after-hours trade to close modestly higher on balance.

Prices opened slightly firmer in quiet trading but then eased following scattered local selling. However, this trend was reversed at the close as American buying was reported.

With the exception of **Winkelhaak**, which were barely changed at 742p the Union Corporation Evander producers all registered fairly substantial improvements following the better-than-expected final dividend declarations. **St. Helena** were outstanding and put on 60 to 950p, while **Leslie** rose 5 to 66p and **Bracken** 4 to 99½p.

South African Financials were featured by a flurry of American buying of **De Beers**, which in the after-hours business, climbed from 440p to close a net 19 higher at 456p.

London Financials were boosted by the strength of the UK equity market and hopes that Standard Oil of California may increase its offer for Amax, in which **Selection Trust** has an 8.3 per cent stake; the latter gained 12 more to a 1978 high of 512p, while **Charter**, which has a 25.8 per cent holding in Selection Trust, advanced another 6 to a high of 160p.

The firmness of the investment premium coupled with bullish week-end Press comment lifted Australians, which had opened lower in line with the trend in overnight domestic markets. **Mid-East Minerals** were particularly firm and put on 6 to 60p in response to Press [illegible] **Western Mining** hardened [illegible] 163p, after 158p, contin[illegible] reflect rumours of a possib[illegible] out deal regarding the [illegible] Downs copper/uranium p[illegible] **Pancontinental**, however, [illegible] ¾ to £13, following the Government withdrawal [illegible] mission to extend the highway.

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Sep. 12	Sep. 25	Dec. 7	Dec. 19
Sep. 26	Oct. 9	Dec. 28	Jan. 9
Oct. 10	Oct. 23	Jan. 11	Jan. 23

For rate indications see end of Share Information Service

Money was given for the call of **Tesco**, **Burmah Oil**, **Fitch Lovell**, **Ward White**, **Mettoy**, **Thomson Organisation**, **Rio Tinto-Zinc**, **Unigate**, **Dowty**, **Mams**, **Cullen's Stores**, **UDT**, **Sears**, **Spillers** and **Endeavour Oil**. Puts were done in **Burmah Oil** and **Ault and Wiberg**, while doubles were arranged in **Hardy and Co. "A,"** **Otter Exploration**, **Wilson Walton**, **British Land**, **Britannia Arrow** and **Blackman and Conrad**.

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (166)

AMERICANS (2)
CANADIANS (4)
BANKS (4)
BEERS (6)
BUILDINGS (10)
CHEMICALS (2)
DRAPERY & STORES (14)
ELECTRICALS (10)
ENGINEERING (18)
FOODS (3)
HOTELS (1)
INDUSTRIALS (34)
LEISURE (3)
MOTORS (8)
NEWSPAPERS (2)
PAPER & PRINTING (3)
PROPERTY (14)
SHOES (2)
TEXTILES (6)
TRUSTS (11)
OILS (1)
OVERSEAS TRADERS (1)
MINES (5)

NEW LOWS (2)

ENGINEERING (1)
Shakespeare (J.)
INDUSTRIALS (1)
Wilson Walton

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	2	61	14
Corpns., Dom. and Foreign Bonds	6	—	56
Industrials	397	107	967
Financial and Prop.	221	27	218
Oils	13	3	19
Plantations	3	5	23
Mines	46	28	56
Recent Issues	18	3	23
Totals	661	292	1,266

FINANCIAL TIMES STOCK INDICES

	Sept. 11	Sept. 8	Sept. 7	Sept. 6	Sept. 5	Sept. 4
Government Secs.	70.44	70.57	70.35	70.53	70.52	70.18
Fixed Interest	71.82	71.84	71.74	71.88	71.75	71.62
Industrial Ordinary	524.3	517.0	508.7	505.5	505.5	493.4
Gold Mines	175.5	175.1	181.3	186.9	186.1	182.9
Ord. Div. Yield	5.13	5.19	5.27	5.30	5.30	5.40
Earnings, Yld% (full)*	14.88	15.07	15.61	15.83	15.83	16.13
P/E Ratio (net)*	8.93	8.81	8.52	8.37	8.38	8.22
Dealings marked	5,623	5,182	4,564	4,932	4,370	4,804
Equity turnover £m.	—	93.08	75.97	67.82	75.46	51.37
Equity bargains total	—	16,232	15,371	15,488	15,334	16,008

10 am 520.0. 11 am 522.6. Noon 522.2. 1 pm 522.4.
2 pm 522.8. 3 pm 522.6.

Latest Index 01-246 8026.

* Based on 52 per cent corporation tax. † Nil=6.71.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (5/1)	68.79 (5/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (4/1)	70.73 (5/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	524.3 (11/9)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	206.6 (14/8)	130.3 (5/1)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Sept. 11
—Daily	
Gilt-Edged	138.9
Industries	219.2
Speculative	48.4
Totals	128.0
5-day Average	
Gilt-Edged	134.3
Industrials	186.8
Speculative	38.2
Totals	112.3

LONDON TRADED OPTIONS

Option	Ex'rcise price	October Closing offer	October Vol.	January Closing offer	January Vol.	April Closing offer	April Vol.
BP	750	152	—	164	—	—	—
BP	800	102	—	124	—	142	—
BP	850	52	10	89	8	108	—
BP	900	27½	15	54	—	80	3
BP	950	10½	—	32	—	52	5
Com. Union	140	17	—	19	10	22	—
Com. Union	160	2½	73	9	—	13	2
Com. Union	180	1	—	4½	—	6½	—
Cons. Gold	160	35	8	34	—	40	—
Cons. Gold	180	17	—	22	—	29	—
Cons. Gold	200	6½	—	11½	—	15	—
Courtaulds	100	23½	—	24½	—	—	—
Courtaulds	110	15	7	17	—	21	11
Courtaulds	120	7½	26	10½	—	15	—
Courtaulds	130	3½	12	6½	5	10	—
GEC	220	106	—	111	—	—	—
GEC	240	86	—	92	—	99	—
GEC	260	66	—	74	14	88	—
GEC	280	46	20	56	20	67	—
GEC	300	27½	20	41	—	52	—
GEC	330	9	7	21	—	32	50
Grand Met.	100	19½	5	25	6	26½	6
Grand Met.	110	11½	37	17	—	18½	—
Grand Met.	120	5½	16	9½	15	12	2
ICI	330	85	10	84	25	88	15
ICI	360	55	24	54	—	64	—
ICI	390	25	25	34	16	44	21
ICI	420	8½	93	21	5	24½	16
Land Secs.	180	65	—	68	—	72	—
Land Secs.	200	46	17	49	2	54	—
Land Secs.	220	26	30	32	5	37	—
Land Secs.	240	10	96	17½	25	24	—
Marks & Sp.	60	35	—	35	—	35½	—
Marks & Sp.	70	25½	—	25	25	27½	—
Marks & Sp.	80	15½	10	16½	60	19½	—
Marks & Sp.	90	7½	51	10½	26	15	48
Shell	500	91	—	93	—	110	—
Shell	550	40	6	60	15	70	—
Shell	600	11½	35	26	5	43	11
Totals			655		284		189

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
ICI	£1	14	413	+ 3	414	328
Shell Transport	25p	14	590	+ 8	602	464
RTZ	25p	11	236	+ 8	256	164
Dowty	50p	10	304	+ 7	304	152
BSR	10p	9	102	− 4	114	86
Barclays Bank	£1	9	357	− 1	368	296
Distillers	50p	9	209	+ 2	210	163
Racal Electronics	25p	9	347	+ 3	347	196
Tricentrol	25p	9	184	+ 4	186	130
BP	£1	8	898	+ 8	926	720
European Ferries	25p	8	137	+ 4	141½	99
GEC	25p	8	322	+ 6	322	233
Midland Bank	£1	8	367	+ 3	390	330
Rank Org.	25p	8	292	+ 4	293	226
Thorn Elect.	25p	8	388	+ 6	400	308

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P.E. Ratio
20	F.P.	31.8	[illegible]	[illegible]	Carters Superfoods	81	+5	[illegible]	4.1	4.5	7.2
85	F.P.	24.8	[illegible]	[illegible]	Hunting Petr. Services	90		[illegible]	[illegible]	7.8	6.5
115	F.P.	8.9	164	[illegible]	Jones (E.) (Jewllrs) 10p	158	+1	[illegible]	[illegible]	5.4	15.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. q Gross. T Figures assumed. † Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. ‡‡ Minimum tender price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon., Sept. 11, 1978 Index No.	Day's Change %	Est. Earnings Yield % (Max.) Corp. Tax 52%	Gross Div. Yield % (ACT at 33%)	Est. P/E Ratio (Net) Corp. Tax 52%	Fri. Sept. 8 Index No.	Thur. Sept. 7 Index No.	Wed. Sept. 6 Index No.
1	CAPITAL GOODS (171)	250.21	+1.0	15.48	4.96	8.85	247.66	243.51	242.48
2	Building Materials (27)	222.69	+1.0	15.80	5.04	8.73	220.55	216.15	215.26
3	Contracting, Construction (28)	414.70	+1.1	16.79	3.79	8.65	410.21	405.40	404.17
4	Electricals (14)	553.52	+1.6	13.09	3.35	10.56	545.01	536.76	532.58
5	Engineering Contractors (14)	358.99	+0.6	17.94	5.80	7.53	356.70	351.17	348.91
6	Mechanical Engineering (72)	201.48	+0.8	16.33	5.39	8.17	199.90	195.48	194.48
8	Metals and Metal Forming (16)	175.53	+0.6	16.03	8.09	8.49	174.42	173.09	174.06
	CONSUMER GOODS								
11	(DURABLE) (52)	222.51	+0.7	15.75	4.76	8.84	221.07	217.72	217.69
12	Lt. Electronics, Radio TV (15)	272.99	+0.6	13.79	3.75	10.14	271.41	266.34	266.77
13	Household Goods (12)	183.44	+0.5	16.42	6.17	8.39	182.56	181.09	180.87
14	Motors and Distributors (25)	134.49	+0.8	18.78	6.09	7.39	133.42	131.95	131.60
	CONSUMER GOODS								
21	(NON-DURABLE) (174)	224.05	+0.9	14.57	5.39	9.27	222.16	218.65	217.38
22	Breweries (14)	238.42	+1.1	14.56	5.88	9.45	235.93	232.77	231.66
23	Wines and Spirits (6)	296.60	+0.8	14.37	4.84	10.39	294.24	287.40	282.52
24	Entertainment, Catering (17)	270.93	+1.1	14.98	6.42	9.75	267.99	264.48	263.05
25	Food Manufacturing (20)	219.85	+0.2	17.16	5.06	7.73	219.33	214.13	212.74
26	Food Retailing (15)	232.98	+0.7	13.04	4.43	10.64	231.40	225.25	224.06
32	Newspapers, Publishing (13)	403.01	+1.1	10.01	3.21	14.26	398.74	397.28	397.25
33	Packaging and Paper (15)	152.34	+2.3	17.08	6.98	7.70	148.85	149.02	149.61
34	Stores (40)	214.69	+0.8	10.07	4.22	14.57	212.95	209.31	206.64
35	Textiles (25)	184.76	+1.2	17.78	7.50	7.33	182.56	179.58	178.43
36	Tobaccos (3)	255.24	+0.6	21.57	7.35	5.49	253.78	252.14	254.71
37	Toys and Games (6)	120.55	+1.0	18.80	5.30	6.22	119.41	116.95	117.09
41	OTHER GROUPS (98)	219.23	+0.9	14.17	5.47	9.09	217.23	213.53	212.24
42	Chemicals (19)	309.68	+0.9	14.70	6.10	8.87	307.02	303.45	300.97
43	Pharmaceutical Products (7)	288.12	+1.3	9.95	3.54	12.42	284.55	278.91	277.67
44	Office Equipment (6)	148.33	+1.0	16.23	5.12	7.30	146.84	144.06	144.05
45	Shipping (10)	431.12	+1.0	14.42	7.07	8.86	426.70	420.75	416.22
46	Miscellaneous (56)	232.10	+0.7	15.89	5.84	8.34	230.43	225.59	224.43
49	INDUSTRIAL GROUP (486)	236.74	+0.9	14.79	5.26	9.09	234.62	230.80	229.64
51	Oils (5)	535.26	+1.2	13.09	3.90	8.00	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX	260.22	+0.9	14.61	5.06	8.91	257.81	253.90	252.95
61	FINANCIAL GROUP (100)	175.38	+0.8	—	5.52	—	174.03	171.78	172.85
62	Banks (6)	194.66	+0.6	23.77	5.95	6.31	[illegible]	[illegible]	[illegible]
63	Discount Houses (10)	213.04	+0.3	—	8.12	—	212.37	210.78	210.66
64	Hire Purchase (5)	163.54	+0.1	14.89	5.04	8.86	163.37	[illegible]	[illegible]
65	Insurance (Life) (10)	146.61	+1.0	—	6.21	—	145.21	143.36	144.73
66	Insurance (Composite) (7)	132.20	+1.0	—	6.60	—	130.93	129.34	128.94
67	Insurance Brokers (10)	361.76	+0.8	13.09	4.39	10.93	359.06	353.41	355.85
68	Merchant Banks (14)	85.94	+0.2	—	5.69	—	85.73	84.83	84.85
69	Property (31)	263.68	+0.9	3.26	2.85	53.16	261.32	259.28	[illegible]
70	Miscellaneous (7)	114.53	+0.3	22.10	7.31	5.86	114.10	[illegible]	112.07
71	Investment Trusts (50)	231.72	+1.4	3.01	4.46	33.19	228.53	225.94	225.53
81	Mining Finance (4)	113.50	+1.3	15.54	6.27	7.83	110.91	109.15	107.59
91	Overseas Traders (19)	335.55	+0.6	14.87	6.66	8.43	337.68	331.86	329.77
99	ALL-SHARE INDEX (673)	238.18	+0.9	—	5.17	—	236.00	232.56	231.82

FIXED INTEREST PRICE INDICES

	British Government	Mon. Sept. 11	Day's change %	xd adj. Today	xd adj. 1978 to date
1	Under 5 years	104.86	−0.08	—	6.70
2	5-15 years	113.13	−0.14	—	7.39
3	Over 15 years	121.15	−0.14	—	9.36
4	Irredeemables	127.10	−0.29	—	9.02
5	All stocks	113.12	−0.12	—	7.84

FIXED INTEREST YIELDS Br. Govt. Av. Gross Red.

			Mon. Sept. 11	Fri. Sept. 8
1	Low	5 years	8.87	[illegible]
2	Coupons	15 years	10.92	[illegible]
3		25 years	11.62	[illegible]
4	Medium	5 years	11.16	[illegible]
5	Coupons	15 years	12.11	[illegible]
6		25 years	12.22	[illegible]
7	High	5 years	11.60	[illegible]
8	Coupons	15 years	12.63	[illegible]
9		25 years	12.83	[illegible]
10	Irredeemables		11.66	[illegible]

		Mon. Sept. 11 Index No.	Yield %	Friday Sept. 8	Thurs. Sept. 7	Wed. Sept. 6	Tues. Sept. 5	Mon. Sept. 4	Friday Sept. 1
15	20-yr. Red. Deb & Loans (15)	57.81	12.84	57.81	57.81	57.84	57.84	57.83	57.79
16	Investment Trust Prefs. (15)	51.38	13.64	51.38	51.38	51.38	51.38	51.32	51.60
17	Coml. and Indl. Prefs. (20)	70.85	12.86	70.74	70.74	70.66	70.66	70.69	70.64

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p. ● Corrected.

AUTHORISED UNIT TRUSTS

Dudley Tst. Magnmt. Ltd.

St., S.W.1. 01-499 7551

y Tst.	72.6	76.4	....	3.84

Law Un. Tr. M.♥ (a)(b)(c)(z)

d., High Wycombe. 0494 33377

	73.4	77.2	+0.8	3.81

Midland Bank Group Unit Trust Managers Ltd.♥ (a)

Courtwood House, Silver Street, Head. Sheffield. S1 3RD. Tel: 0742 79842

Commodity & Gen.	74.9	80.6	+0.5	4.73
Do. Accum.	86.3	92.9	+0.6	4.73
Growth	39.7	42.4	+0.5	2.67
Do. Accum.	42.6	45.5	+0.6	2.67
Capital	30.0	32.1	+0.4	2.90
Do. Accum.	32.7	35.0	+0.4	2.90
Income	56.1	60.0	-0.3	5.99
Do. Accum.	65.4	70.0	+0.4	5.99
International	50.1	54.2	+0.9	2.11
Do. Accum.	53.5	57.7	+1.0	2.11
High Yield	67.0	71.3	+0.3	7.55
Do. Accum.	71.1	75.7	+0.4	7.55
Equity Exempt*	108.1	114.1	.....	5.49
Do. Accum.*	108.1	114.1	.....	5.49

*Prices at Aug. 31. Next dealing Sept. 29.

Mercury Fund Managers Ltd.

Acc. Uts. Sept. 6	74.9	79.7	.....	2.60
Merc. Ext. Aug. 24	233.7	243.4	.....	4.32
Accm. Uts. July 24	283.8	295.6	.....	4.32

[illegible]day Unit Trust Mngt. Ltd.

[illegible]le Street, Glasgow. 041 204 1321

	25.2	27.4	.....	2.08
	29.7	32.2	.....	2.08
	35.8	38.8	.....	7.56
	27.8	30.0	.....	4.89
	32.2	34.9	.....	4.09
	30.2	32.7	.....	3.95
	34.6	37.6	.....	3.95

[illegible] 30. Next dealing September 6.

CORAL INDEX: Close 521-526

INSURANCE BASE RATES

†Property Growth 10¼%

†Vanbrugh Guaranteed 9.37%

†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

International Pacific Inv. Mngt. Ltd.

PO Box R237, 56, Pitt St, Sydney, Aust.

Javelin Equity Tst.	$A2.34	2.45	.....	—

J.E.T. Managers (Jersey) Ltd.

PO Box 194, Royal Tst. Hse., Jersey 0534 27441

Jersey Extrnl. Tst.	197.0	209.0	.....	

As at August 31. Next sub. day Sept. 29.

Jardine Fleming & Co. Ltd.

46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$375.52	.....	1.90
Jardine J'pn Fd.*	HK$390.07	.....	0.90
Jardine S.E.A.	$US21.32	.....	1.40
Jardine Flem. Int.	HK$12.42	.....	—
Intl. Pac. Secs. (Inc.)	HK$25.01	.....	—
Do. (Accum.)	HK$15.16	.....	—

NAV Aug. 31. *Equivalent $US82.64. Next sub. Sept. 15.

S. G. Warburg & Co. Ltd.

30, Gresham Street, EC2 01-600 4555

Conv. Bd. Sept. 8	$US9.73	+0.02	—
Eng. Int. Sept. 8	$US19.27	+0.22	—
Gr. St. $Fd. Aug. 31	$US7.58	.....	—
Merr. Ebd Fd Sept 6	$US10.30	10.41	0.2840

Warburg Invest. Mngt. Jrsy. Ltd.

1, Charing Cross, St. Helier, Jsy. CI 0534 73741

CMF Ltd. Aug. 31	$US13.33	13.66	.....	—
CMT Ltd. Aug. 31	£13.82	14.28	.....	—
Metals Tst. Aug. 17	£12.22	12.52	.....	—
TMT August 11	$US11.30	11.59	.....	—
TMT Ltd. Aug. 11	£11.40	11.69	.....	—

World Wide Growth Management♦

10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$US17.09	+0.03	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

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Over Fifteen Years

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FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's
210	155	Falcon Rh 50c	170	–3	Q50c	1.3	25.1
24	15	Rhod'n Corp. 16⅔p	17½	...	0.57	7.1	4.8
80	52	Roan Cons. K4	65	....	—	—	—
41	32	Wankie Col. Rh 1	36	...	†Q7½c	1.4	17.8
17½	10	Zam Cpr SBD0.24	14½	+½	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's
15	10	Acmex 25c	12	–1	—	—	—
140	64	Bougainville 50 Toea	132	......	†Q8c	1.4	3.8
125	63	BH South 50c	118	......	—	—	—
820	150	Central Pacific	560	+10	—	—	—
336	148	Conzinc Riotinto 50c	310	–8	‡Q10c	2.2	‡
27	9½	Endeavour 20c	25	......	—	—	—
72	45	G.M. Kalgoorlie $1	52	–3	—	—	—
68	18	Haoma Gold N.L.	55	–7	—	—	—
140	81	Hampton Areas 5p	130	...	t3.55	2.0	4.1
40	10	Metals Ex. 50c	36½	–½	—	—	—
223	125	M.I.M. Hldgs. 50c	207	–2	Q9c	1.7	2.7
39	10	Mount Lyell 25c	32		—	—	—
6½	1½	Newmetal 10c	5		—	—	—
143	79	North B. Hill 50c	123	....	Q8c	ф	4.1
16½	8½	Nth. Kalgurli	15		—	—	—
50	12	Nth. West Mining	41	–3	—	—	—
178	117	Oakbridge $A1	156	....	†Q11c	1.9	4.4
70	30	Pacific Copper	59	.....	—	—	—
£15½	750	Pancont'l 25c	£13	–¼	—	—	—
40	12	Paringa M&Ex 5p	31	+½	—	—	—
570	310	Peko-Wallsend 50c	554	–6	Q15c	ф	1.7
300	50	Southern Pacific	215	+15	—	—	—
163	84	West'n. Mining 50c	163xd	+2	Q3c	ф	‡
70	35	Whim Creek 20c	55	...	—	—	—

TINS

1978 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's
30	23	Amal. Nigeria	27	....	2.82	ф	16.9
420	240	Ayer Hitam $M1	385	...	‡Q67c	0.9	‡
60	45	Beralt Tin	55		3.81	4.4	10.8
305	200	Berjuntai $M1	275		Q110c	ф	8.6
150	111	Geevor	150	+5	5.04	5.8	5.0
10½	8½	Gold & Base 12½p	10	...	—	—	—
320	220	Gopeng Cons.	315	...	15.23	0.9	7.3
220	130	Hongkong	220	......	—	—	—
93	78	Idris 10p	90	......	‡12.0	1.6	‡
11	8	Jantar 12½p	8	...	—	—	—
84	68	Kamunting $M0.50	79xd	...	Q12½c	ф	3.4
640	450	Killinghall	640	..	Q125	ф	20.2
470	280	Malay Dredging $M1	455	....	†Q95c	0.8	4.5
78	40	Pahang	78	......	‡Q3.75c	0.5	‡
78	50	Pengkalen 10p	76	.....	6.60	1.3	13.0
270	165	Petaling $M1	270		†Q80c	1.6	6.8
64	49	Saint Piran	63xd	+1	2.03	ф	4.8
61	47	South Crofty 10p	57	.....	4.19	2.0	11.0
245	140	South Kinta $M0.50	225xd		Q70c	ф	6.7
340	230	Sthn Malayan $M1	330	+5	‡Q131.3c	1.1	8.6
240	134	Sungei Besi $M1	215	.....	Q65c	ф	6.5
85	55	Supreme Corp. $M1	70	..	ZQ10c	—	3.1
100	85	Tanjong 15p	90	.....	6.60	0.8	10.9
100	74	Tongkah Hrbr. $M1	90		‡Q6.82%	1.6	‡
270	148	Tronoh $M1	255	+5	ZQ88c	1.6	7.4

COPPER

1978 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's
104	70	Messina R0.50	80	....	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's
61	35	Eastmin	56	+2	—	—	—
17	9	Burma Mines 17½p	13	......	—	—	—
300	215	Cons. Murch. 10c	245	...	‡Q30c	2.6	‡
465	245	Northgate C$1	380	+15	—	—	—
256	164	R.T.Z.	256	+8	9.5	2.8	5.5
90	30	Sabina Inds. C$1	50	......	—	—	—
£12	750	Tara Expln. $1	837	+32	—	—	—
73	43	Tehidy Minerals 10p	70	...	ф1.35	ф	2.9
185	120	Yukon Cons. C$1	155	.....	Q7c	2.9	2.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ф Figures or report awaited.
- †† Unlisted security
- ¢ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ф Merger bid or reorganisation in progress.
- ‡ Not comparable
- ф Same interim, reduced final and/or reduced earnings indicated
- ¢ Forecast dividend; cover on earnings updated by latest interim statement
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration
- ф Regional price.
- ‖ No par value

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend; cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

"Recent Issues" and "Rights" Page 40

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange

Stock	Price	+ or –
Albany Inv. 20p	25	
Ash Spinning	46	
Bertam	20	
Bdg'wtr Est. 50p	308xd	
Clover Croft	26	
Craig & Rose £1	520	
Dyson (R. A.) A	39	
Ellis & McHdy	64	
Evered	28	+1
Fife Forge	52xd	
Finlay Pkg 5p	21	
Graig Ship. £1	125	+10
Higsons Brew	77	
I.O.M. Stm. £1	152	
Holt (Jos.) 25p	260	
N'thn. Goldsmith	67	
Pearce (C. H.)	190	
Peel Mills	20	
Sheffield Brick	44	–1
Sheff. Refrshmt.	63	.....
Sindall (Wm.)	105	.....

IRISH

Stock	Price	+ or –
Conv. 9% '80/82	£92⅛	
Alliance Gas	62	
Arnott	370	+10
Carroll (P.J.)	104½	
Clondalkin	88xd	
Concrete Prods.	132xd	
Heiton (Hldgs.)	48	
Ins. Corp.	160	
Irish Ropes	130	
Jacob	63	
Sunbeam	33xd	
T.M.G.	175	+3
Unidare	110	

OPTIONS
3-month Call Rates

Industrials

Stock	Rate
A. Brew	6½
A.P. Cement	18
B.S.R.	9
Babcock	11
Barclays Bank	25
Beecham	35
Boots Drug	15
Bowaters	16
B.A.T.	24
British Oxygen	6
Brown (J.)	20
Burton 'A'	12
Cadburys	5
Courtaulds	10
Debenhams	8
Distillers	15
Dunlop	7
Eagle Star	11
E.M.I.	14
Gen. Accident	17
Gen. Electric	18
Glaxo	40
Grand Met.	9
G.U.S. 'A'	20
Guardian	18
G.K.N.	22
Hawker Sidd.	20
House of Fraser	12
I.C.I.	20
"Imps"	6
I.C.L.	20
Inveresk	8
KCA	3
Ladbroke	17
Legal & Gen.	14
Lex Service	7
Lloyds Bank	22
"Lofs"	4
London Brick	5
Lonrho	5
Lucas Inds.	25
Lyons (J.)	10
"Mams"	7
Mrks. & Spncr.	10
Midland Bank	25
N.E.I.	12
Nat. West. Bank	22
Do. Warrants	10
P & O Dfd.	8
Plessey	8
R.H.M.	5
Rank Org. 'A'	18
Reed Intnl.	12
Spillers	3
Tesco	4
Thorn	22
Trust Houses	15
Tube Invest.	30
Unilever	35
Utd. Drapery	7½
Vickers	15
Woolworths	5

Property

Stock	Rate
Brit. Land	3½
Cap. Counties	4½
E.P.	5
Intreuropean	4
Land Secs.	16
MEPC	12
Peachey	8
Samuel Props.	9
Town & City	1¼

Oils

Stock	Rate
Brit. Petroleum	45
Burmah Oil	5
Charterhall	3
Shell	28
Ultramar	20

Mines

Stock	Rate
Charter Cons.	12
Cons. Gold	14
Rio T. Zinc	16

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Tuesday September 12 1978

Retail sales remain 6.5% above 1977

BY DAVID FREUD

SPENDING IN shops last month remained at the peak levels reached in July, about 6.5 per cent higher in real terms than a year earlier.

Provisional estimates for the volume of retail sales released yesterday by the Department of Trade put the index at 111.5 in August (1971=100, seasonally adjusted) compared with July's 111.4.

The underlying rate of rise in spending is reflected by a 2.9 per cent increase in the index in June-August, compared with the previous three months.

It was the first three-month period in which sales volume was higher than the average level in the peak year of 1973.

The rise in spending this year has been broadly in line with the recovery in real personal disposable incomes, which have risen about 6 per cent in the past 12 months as a result of increases in real wages and tax cuts.

Sales in June-August were 6.4 per cent higher than in the same period of last year and 6.7 per cent above the average for 1977.

Retailers are confident that their earlier projections of a 5 per cent increase in the volume of sales this year over 1977 should be achieved comfortably. In the first eight months of the year the level of sales was 4.5 per cent above last year's average.

The index is expected to remain at roughly the present level for the rest of the year. If it does the out-turn will be 5.5 per cent above last year's figure.

The high totals achieved in both July and August were influenced by the tax rebates paid after July 12. These, which reflected the introduction of the new 25 per cent income tax band, injected about £450m into the economy and boosted the monthly pay packets of most taxpayers by around £18.

There could be a lull in sales in the next couple of months, but the level should recover in November, when further tax rebates are paid out and pensions and social security benefits are raised.

RETAIL SALES

		Volume 1971=100 (seasonally adjusted)	Value percentage change compared with a year earlier (not seasonally adjusted)
1977	1st	103.3	+14
	2nd	102.5	+13
	3rd	104.3	+15
	4th	104.4	+13
1978	1st	106.3	+13
	2nd	108.0	+15
1978	Mar.	107.0	+15
	April	106.7	+16
	May	108.4	+15
	June	108.7	+14
	July	111.4	+15
	Aug.	111.5*	+14*

* provisional estimate

Source: Department of Trade

ICI plans to take over U.S. dyestuffs company

BY KEVIN DONE

IMPERIAL Chemical Industries is negotiating the takeover of another U.S. chemicals company as a part of its drive to build up a manufacturing base in North America.

It has reached agreement in principle to buy American Color and Chemical, a U.S. dyestuffs manufacturer based in Charlotte, South Carolina. The price is likely to be about $50m (£26m).

The company has a workforce about 1,000 and has four manufacturing sites, two in Pennsylvania, one in South Carolina and one in North Carolina.

It is owned jointly by two companies, North American Philips (52 per cent) and Koppers (48 per cent).

Talks between ICI Americas and the two companies are continuing, and the deal should be finalised by the end of the year. Reports on the proposed acquisition are being lodged with the Federal Trade Commission and the Justice Department.

Significant

The deal would give ICI a significant presence in the U.S. dyestuffs market. It holds only a small share through a manufacturing unit at Dighton, Massachusetts, which specialises in making reactive dyes, largely for use in dyeing cotton.

Mr. Frank Jordan, assistant to the president of American Color and Chemical, said last night that the company has an annual turnover of about $50m.

It specialises in producing disperse dyes used in colouring polyester textiles. American Color and Chemical would considerably expand ICI's product range in the U.S.

ICI is building up its manufacturing presence in the U.S. through acquisitions and substantial investment in new plant. Earlier this year it announced it was planning to buy a £30m-£35m chlor-alkali complex in Baton Rouge, Louisiana, from Allied Chemical. It is also participating in building a £315m ethylene plant at Corpus Christi, Texas.

Several other major West European chemical companies have also tried to buy U.S. dyestuffs makers this year, including BASF, Bayer and Ciba-Geigy.

Bankers cautious on Eurocurrency plans

BY DAVID WHITE — BASLE, Sept. 11.

CENTRAL BANKERS attending the Bank for International Settlements (BIS) meeting here expressed reservations about European currency co-ordination plans set in motion by the Copenhagen and Bremen EEC summits.

While uncertainty and disagreement still persist among EEC members about the mechanisms to be used for linking their currencies, the main doubts revolve around the proposed European monetary fund, which would pool part of each country's reserves.

Today's meeting was marked by the presence for the first time of M. Jacques de Larosiere, new IMF managing director, ahead of the IMF meeting later this month. It also provided an opportunity for non-EEC members of BIS to look at the possible implications of EEC plans.

'Safety net'

The main discussions on a European monetary system were, however, scheduled for tomorrow, when EEC bank governors meet in a separate conclave.

Today's meeting was the first since the summer holidays, during which central bank deputies have been working on alternative methods of implementing a new currency system.

A review of Britain's sterling balances by a group of Governors was a main item at the meeting, but bankers said there was no agreement to end the $3bn "safety net" facility set up here early last year. The sterling balance agreement followed a sharp drop in official foreign holdings of sterling.

The facility has in fact fallen into disuse after acting initially as a psychological boost for the pound. Reserves since early last year have kept far above the $6.75bn threshold below which the UK could draw on available funds.

The state of the U.S. dollar remained a principal source of concern, despite last week's improvement after U.S. Treasury pledges of dollar support action and encouraging news on U.S. wholesale prices.

Continued from Page 1

U.S. talks

deal between Thomson and Motorola, the French Government is also promoting the formation of a completely new semiconductor company to be called Secimos (Société Européen Circuits Integrés MOS).

Secimos is expected to be funded and controlled by the French Government, although some of the larger companies like Renault, the State-owned car manufacturer, may take minority shareholdings.

In respect of Government ownership, Secimos will be similar to Inmos, the recently-formed subsidiary of the British National Enterprise Board.

However, the two governments are taking a different approach on the vital question of how to gain access to American technology. Inmos has offered high salaries to a group of designers who worked for Mostek, the Dallas, Texas semiconductor company. It hopes these experts will form the basis of a team with which it can set up a completely new operation to make computer memories and microcomputers.

The French, on the other hand, appear to be aiming for a joint agreement with an established semiconductor company, which would come in as a partner. Talks are at present being held with National Semiconductors, whose headquarters are at Santa Clara, California.

Discussions are also believed to have been held with other semiconductor companies in the San Francisco area including Intel, the industry's leading micro-computer producer. Mostek has also been mentioned as a possible partner.

A total of £100m in French Government aid is expected to be given to promote the semiconductor industry over the next five years. Of this, a Motorola-Thomson venture would stand to gain about £30m.

A further £30m would go to Radiotechnique a subsidiary of Philips, which makes mainly linear circuits, and the remainder would go to Secimos.

Two years ago, Thomson announced that it was co-operating with Plessey of the UK with an exchange of know-how and a possible cross-licensing of products. Although it was thought at the time that full scale co-operation between the companies might follow, not much progress appears to have been made, and no announcement is expected.

A Plessey official said yesterday that a working party of engineers from Plessey and Thomson had been studying technology, markets and factories. He said: "These studies have been completed. It is too early to say what the final result will be."

QE2–Cunard chief quits all Trafalgar posts

BY CHRISTINE MOIR

MR. JOHN MITCHELL, chairman of the QE2 and the Cunard passenger shipping fleet in the Trafalgar House Group, has resigned suddenly from all his Trafalgar posts. He had 58 directorships in the group.

Mr. Nigel Broackes, chairman of Trafalgar, refused to comment on the resignation yesterday.

In a terse statement the company simply said that after 10 years with the company Mr. Mitchell had resigned from the main Board and "from his other appointments within the Trafalgar House Group."

In addition to his posts as chairman and managing director of several shipping, leisure and hotel subsidiaries in Cunard, Mr. Mitchell, who is not yet 50, was also chairman of New Ideal Homes, Scottish Ideal Homes and the housebuilding arm of Trollope and Colls.

Exiled king to sell home

The exiled King of Greece, King Constantine, is to sell his country home near Chobham, Surrey, said estate agents Knight Frank and Rutley yesterday. The house, called Stanyards, is on the market at more than £100,000.

It has two bedroom suites, three more bedrooms, three reception rooms, kitchen and breakfast room. The house is set in about 7½ acres.

King Constantine has moved from this property to his Hampstead home, said the agents.

Collision avoidance radar course

COLLISION AVOIDANCE training is available for ships' radar officers in an audio-visual navigation programme devised by Marine Audio Visual Instructional Systems.

The programmes, on magnetic cartridges, deal with the setting-up of a marine radar to get the best navigable picture and radar plotting for avoiding collisions.

The training courses are suitable for those with no radar course plotting experience and are designed for preliminary study by sea-going staff prior to the Trade Department's radar courses.

EEC prepares anti-cartel rules for shipping

BY IAN HARGREAVES — BRUSSELS, Sept. 11.

THE EUROPEAN Commission is preparing to apply the anti-cartel rules of the Treaty of Rome to the shipping industry.

But Mr. Richard Burke, the EEC Transport Commissioner, stressed here today that the Commission accepted in principle the value of shipping conferences—the regulatory system by which shipping lines fix rates and determine levels of service.

Shipping and air transport are the only sectors of the Community's economy where competition rules do not apply. Mr. Burke said he was aware that shipowners were worried about interference in their traditional freedoms.

He said the draft regulation, to be considered by Transport Ministers in November, would aim at recognising "the stabilising role of liner conferences in ensuring reliable services in a volatile transport market."

It is accepted within the Commission, however, that the EEC competition directorate is unlikely to be satisfied with the voluntary codes of practice observed by shipping conferences.

Freight

The directorate is thought to be unhappy about a number of basic practices, such as the method of adjusting freight rates automatically to cover currency fluctuations and the loyalty agreements used to tie shippers to a particular service in return for rebates.

The Commission, which is to hold more talks within the industry, seems certain to give more protection and influence to shippers at the expense of ship owners.

This could well meet with resistance from the UK, which traditionally is one of the strongest advocates of existing practice.

The UK is out on a limb over its resistance to Community acceptance of the UNCTAD (United Nations Conference on Trade and Development) liner code. This document was adopted in 1974 but is still unratified.

Britain has been supported by Denmark in resisting the code, which sets cargo-sharing levels between importing, exporting and third countries in the proportion of 40-40-20.

Damaging

The Commission won qualified approval of the code from eight states. This involves acceptance of the code in shipping relations with developing countries but limits its effect on shipping movement between member states of the Organisation for Economic Co-operation and Development.

The Commission's qualifications would still mean acceptance of two principles potentially damaging to the British: a statutory notice period of 15 months for freight rate increases and a tougher disputes procedure as far as shipowners are concerned.

Britain regards the code as cumbersome and likely to produce greater inefficiency in shipping regulation.

The Commission sees a common view on the liner code as the first plank in its emerging shipping policy.

Russia seeks pact, Page 3

Rolls-Royce decision on RB-401 imminent

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE IS close to a decision to spend more cash on the development of another new aero-engine, the RB-401, designed primarily for the world-wide business-jet aircraft market.

This not a formal "launch" of the engine in the way that the 535 version of the RB-211 engine was recently launched on the back of orders for the new Boeing 757 jet airliner. It is intended more to ensure that work on the engine is kept ticking over until customers emerge.

Full-scale development of the RB-401 is not expected until next year, and when that happens, it is likely to be on an international collaborative basis, perhaps with a partner in the U.S.

Rolls-Royce declined yesterday to say how much it had spent on the RB-401, or how much it plans to spend. But work on the engine has been under way for some time at the company's Bristol factory where an engine has already run on the test-bed. Full flight clearance is planned for early in 1980.

Rolls-Royce and Rockwell International are evaluating the use of a prototype Sabreliner 85 for flight tests.

Less costly

The RB-401 is part of Rolls-Royce's long-term strategic development plan, already sent to the Government through the National Enterprise Board.

The engine starts at 5,500 lb thrust and is so much smaller than the RB-211 family. It will, therefore, be less costly to develop. But it is aimed at a market that could run into several thousand engines over the next 10 years for small business jet aircraft, or even light combat aircraft and trainers, supplementing and eventually replacing the Viper engine.

Features of the new engine are *its greater quietness and improved* fuel consumption. The engine was publicised at last week's Farnborough Air Show.

Several aircraft manufacturers are already showing interest in the RB-401, including British Aerospace which could use it in the proposed new Series 800 version of the Type 125 executive jet. Still awaiting British Aerospace board approval, this would be a derivative of the 125 which will need a new engine like the RB-401.

In the U.S. the engine has been studied by a number of business aircraft makers including Grumman, Lear, Cessna and Rockwell. Rolls-Royce thus has a strong interest in seeing the engine go ahead.

The design basis of the RB-401 is being used in studies for bigger engines of up to 18,000 lb thrust, such as the proposed RB-432, for use in bigger, commercial transport aircraft.

Without these new types of engine, Rolls-Royce would depend for its future solely on the "big thrust" engines in the RB-211 range, from the 535 of 33,000 lb thrust upwards to the 524 series of 50,000 lb thrust.

Continued from Page 1

Duffy optimistic

the Board, had heavily reduced profits from Bathgate, and losses for the whole year due to interruption of production could exceed £15m. Lack of cash income to finance investment for the medium-light vehicle necessitated a "major review of investment plans."

Striking machinists at Bathgate who have rejected AUEW instructions to return to work attend a mass meeting this morning.

In an unusual initiative in the toolmakers' dispute BL management plans to hold direct talks today with the 32 unofficial strikers at SU Fuel Systems to spell out the implications of their dispute. The men demand pay parity with skilled workers at Rover as part of the wider campaign by toolmakers for improved differentials.

Mr. Bill Maclean, BL Cars employee relations director, made clear that the problems of the SU men could be dealt with only as part of the general package of pay reforms now under negotiation with the unions.

A second more crucial meeting today will be the appearance of the SU men before the Birmingham East District Committee of the AUEW, which has already recommended their expulsion from the union.

That threat mobilised support for Mr. Roy Fraser's unofficial toolroom committee, which recommends a strike by 3,000 toolmakers if the expulsion order is implemented.

Mr. Duffy suggested the expulsion might not take place.

The action was threatened because the SU men disobeyed instructions from the district committee. Their attendance at today's district committee meeting to put their case might be sufficient to remove the immediate threat of expulsion. But they would then be expected to obey instructions.

Mr. Duffy maintained that the toolmakers were "reasonable men." "I have no doubt that, having discussed their problems with the district committee, a formula can be found for a return to work in the very near future."

But Mr. Duffy insisted that if the men were demanding money on the table as a condition for a return, the dispute could not be avoided.

The union side of the Cars Council the top-tier worker participation body, urged management yesterday not to distribute Mr. Edwardes's letter on the grounds that it would "not contribute to any rational decisions by the toolmakers."

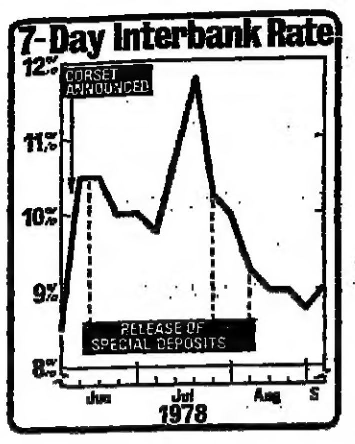
Instead the shop stewards are pressing management to commit itself to bringing forward by 12 months the programme to achieve pay parity between all plants by November next year.

The trade unions say that SU should not be treated as a special case, but that all pay anomalies should be dealt with in one package by November 1 this year. Such a deal could be entirely self-financing, they maintain.

THE LEX COLUMN

Better times ahea[d] at Bowater

Index rose 7.3 to 524.3



Yesterday's recall of special deposits passed off smoothly enough and the money markets should certainly be able to accommodate the second call in a fortnight's time. The severe shortages which followed the introduction of the corset now seemed to have worked themselves out of the system and money market rates are lower than they were on the eve of the introduction of the corset.

Bowater

On the face of it Bowater has improved its pre-tax profit margins in the first six months of 1978, though sales (at £788.5m) are down 7 per cent and pre-tax profits are £2m lower at £42.5m. However, a fairer comparison would exclude businesses sold which contributed £170m to sales last time and only £1m to pre-tax profits. On this basis sales are up 16 per cent and the margin has slipped from 6.4 per cent to 5.4 per cent.

The main factors behind the decline were the collapse of pulp prices in the second half of last year—though they have recently improved—and a loss of competitive edge in the UK newsprint market where the weaker dollar has benefited foreign competitors. Altogether, the contribution from the dominant paper and pulp division is lower in sterling terms. On the packaging side, the performance has been flat and Bowater makes the point that the consumer spending boom has not yet been reflected in demand. This may be a pointer to what Dickinson Robinson Group will report in its interim figures on September 20. Elsewhere at Bowater tissue profits are well up and commodity trading has continued at last year's levels.

The best news in yesterday's statement is that recent months have produced "somewhat better results." Estimates of how this will translate into full year pre-tax profits vary between £88m and £95m compared with £87m last time, and much will depend on the year-end exchange rate. At 205p the shares look sound value on a prospective p/e (on a full tax charge) of around 9½ and a yield of 7.9 per cent.

BSR

A £2.1m drop in BSR's interim profits to £10.1m was slightly worse than most analysts had been expecting and the shares closed 1p lower at 105p where they yield 7½ per cent *prospectively*.

The recently acquired Judge group continued to trade at a "substantial loss" and there was an industrial dispute at the Midlands factories which could have knocked 10 per cent off output and maybe £1m off profits. More important, however, were the movements in sterling, since the bulk of the group's sound reproduction sales goes overseas. Whereas last year's profits were inflated to the tune of £2.5m by exchange gains the latest figures include a mere £1.1m net gain.

Obviously, the key to the group's second half will hinge on sterling but at the moment demand for record changers in the all-important U.S. market remains fairly strong and the consumer products division should trade "much more profitably" in the second six months. On present trends it looks as if BSR should easily be able to match last year's profits of £20.0m and if sterling moves in the group's favour it could do better.

After last year's setback the BSR share price has significantly underperformed the market but it is easy to lose sight of the fact that despite the volatility of the market in which it operates it remains a very successful company. By contrast Garrard, its only real UK competitor, last year lost £5m on a turnover of just over £20m.

The key to BSR's success has been its concentration on volume. This has enabled it to keep its prices so low that it now controls around 70 per cent of the world mar[ket] potential competitors compete because they generate enough volum[e] BSR produces the equi[valent of] Garrard's annual prod[uction in] less than a month it is to see why Plessey fin[ally wielded] the axe. The only s[urprise is] that it took so long to [...]

Change Wares

Find a basically so[und busi]ness which has been to its knees by unwise expansion. Inject new in the form of high co[nvertible pre]ference shares, with share in any dividend ordinary and to conv[ert into] ordinary in the futur[e ...] over management and [...] trouble spots. Make p[...]

This rewarding exe[rcise has] been repeated three *the last year or so* Geoffrey Rose and associates, and now it to be taken one stage Change Wares, the first in which they became in this way, is plannin[g to take] control of a U.S. busi[ness cur]rently controlled by M[...] partners. The U.S. co[...] more than twice its profits terms, and the is a sizeable rights iss[ue ...] will increase its curr[ent mar]ket capitalisation by third. Curiously, the being underwritten ev[...] it is priced at a di[scount of] almost 50 per cent market value.

One obvious questio[n is why] the deal is being pla[nned this] way around, in the f[orm of a] reverse takeover, if that the UK public h[...] up cash to make it Another concerns the the issue, which com[...] Change Wares has ha[d to] establish a worthwh[ile] record under its new ment and when there amount of what the specialists used to fondly as "hope valu[e] shares. A further su[...] the extraordinary which has been c[...] approve the capital i[...] the management's lo[ng-term] objective, which is a to put all three UK c[ompanies] together into one bi[...] Shareholders in all th[ree com]panies may well be gr[ateful for] the intervention of new ment, but the motive been purely philanthr[...]

Weather

UK TODAY

DRY with sunny periods, some rain.

London, S.E., Cent. S., Cent. N., S.W. England, Midlands, S. Wales
Dry, sunny intervals Max. 20C (68F).

E. Anglia, E. England
Sunny intervals, some showers. Max. 19C (66F).

N.W. England, N. Wales
Sunny, some clouds and rain. Max. 17C (63F).

Lakes, Isle of Man, S.W. Scotland, Glasgow, Cent. Highlands, Argyll, N.W. Scotland, N. Ireland
Sunny intervals some cloud and rain. Max. 16C (61F).

N.E. England, Borders, Edinburgh, Dundee, Aberdeen, Moray Firth
Sunny intervals, some cloud and rain. Max. 18C (64F).

N.E. Scotland, Orkney, Shetland
Sunny intervals, isolated showers. Max. 15C (59F).

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Amstrdm.	F	17	63	Madrid	S	32	90
Athens	S	25	77	Manchstr.	R	12	56
Bahrain	S	35	95	Melbourne	C	15	59
Barcelona	S	27	81	Milan	S	27	81
Beirut	F	27	81	Montreal	R	17	63
Belfast	C	14	57	Moscow	R	13	55
Belgrade	S	26	79	Munich	S	23	73
Berlin	F	24	75	Newcastle	S	16	61
Birmghm.	C	16	61	New York	C	23	74
Bristol	C	17	63	Oslo	F	10	50
Brussels	F	21	70	Paris	R	19	66
B. Aires	S	18	64	Perth	R	15	59
Cairo	S	33	91	Prague	F	22	72
Cardiff	S	17	63	Reykjavik	S	8	46
Chicago	S	26	79	Rio de J'o	C	23	74
Cologne	R	21	70	Rome	S	26	79
Copnhagn.	F	17	63	Singapore	S	28	82
Dublin	R	15	59	Stockholm	C	14	57
Edinburgh	C	17	63	Strasbrg.	C	22	72
Frankfurt.	F	23	73	Sydney	C	20	68
Geneva	S	24	75	Tehran	S	32	90
Glasgow	F	16	61	Tel Aviv	S	28	82
Helsinki	F	14	57	Tokyo	C	23	73
H. Kong	S	29	84	Toronto	C	22	72
Jo'burg	S	18	64	Vienna	S	27	81
Lisbon	S	28	82	Warsaw	C	15	59
London	F	19	66	Zurich	S	22	72
Luxemb'g	C	18	64				

HOLIDAY RESORTS

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	24	75	Jersey	F	18	64
Algiers	S	29	84	Las Plms.	S	33	91
Biarritz	F	21	70	Locarno	S	26	79
Blackpool	C	15	59	Majorca	S	28	82
Bordeaux	F	22	72	Malaga	S	31	88
Boulogne	F	17	63	Malta	F	29	84
Casablanca	S	26	79	Nairobi	S	25	78
Cape Town	C	16	61	Naples	S	24	75
Corfu	S	28	82	Nice	S	23	73
Dubrovnik	S	24	75	Nicosia	S	37	91
Faro	S	28	82	Oporto	S	27	81
Florence	S	26	79	Rhodes	S	25	77
Funchal	F	23	73	Salzburg	S	25	77
Gibraltar	S	25	77	Tangier	S	33	91
Guernsey	F	17	63	Tenerife	S	33	91
Innsbruck	S	25	77	Tunis	F	29	82
Inverness	C	13	55	Valencia	S	29	84
I. of Man	C	16	61	Venice	C	21	70

S—Sunny. F—Fair. C—Cloudy. R—Rain.

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